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AGRICULTURAL PRICE-SUPPORTING MEASURES IN FOREIGN COUNTRIES

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INTRODUCTION

Government intervention for the purpose of enabling farmers to obtain higher and more dependable prices for their products has been an outstanding feature of the world agricultural situation in recent years. Historically speaking, such intervention is by no means a recent development; its lineage runs back far into the past. Such familiar devices as tariffs and bounties on agricultural and other products are centuries old. By 1914, moreover, there had been a considerable growth of other and more far-reaching types of activity, both private and governmental, involving systematic and organized efforts to enhance returns from the sale of farm products. Governments had been endeavoring increasingly to influence or control production, trade, and prices; and some progress had been made also in the field of cooperative organization of producers.

Rapid Growth Of Price-Supporting Measures Since The War

Since the World War, however, and particularly during the last three or four years, the trend toward a wider application of price-supporting measures has been especially marked. For some years after the War there had remained a considerable number of countries in which government intervention in support of agricultural prices was either non-existent or relatively unimportant. Some, as for example the United Kingdom and the Netherlands though they were on an import basis, did not even resort to the time-honored device of tariffs as a means of bolstering home prices. Others, such as Argentina and Canada, were so predominantly on an export basis for farm products that tariffs and other import restrictions would in any case have been largely ineffective; and for the most part such aid as was given to agriculture was not of an artificial price-supporting character.

But since the onset of the world economic crisis in 1929, of which the agricultural phase has been so prominent, the number of such countries has diminished until now there is scarcely one which does not engage in some measure of direct or indirect activity for the support of prices of home-grown products. In some countries the price-bolstering measures adopted have, to be sure, been much more drastic than in others. In such countries as Denmark, Netherlands, Irish Free State, the United Kingdom, Argentina, and Canada such measures are still, or were until quite recently, either non-existent or comparatively limited in extent. And in some instances, as in the case of the Canadian and Australian wheat bonuses of 1931-32, measures now employed are presumably only temporary expedients, limited to a single year. Nevertheless the tendency toward a more or less general application of agricultural price maintenance measures throughout the world during the last decade has been on the whole unmistakable and, since 1929, very marked. Measures previously in force have been supplemented in various ways in order to increase their effectiveness; devices which had been employed in earlier times have been revived; and new devices - or old ones recast to meet new conditions - have come into the picture.

The result is that the world's agriculture is operating under the impact of a greater variety and a more widespread application of artificial price-supporting measures than ever before in modern times. It will suffice at this point merely to indicate the leading categories in which these fall.

In one group are the various restrictions imposed on imports. These include not only tariffs but a variety of more direct forms of restriction such as government licensing systems; import quotas and contingents; importing monopolies; milling and mixing regulations, requiring the use of minimum percentages of home-grown produce; seasonal embargoes or prohibitions; and sanitary restrictions and prohibitions of which the effect, if not the intent, is to raise the prices of similar products grown in the home country.

Almost every country imposes tariff duties, most of them high duties, on agricultural products; and in most countries such duties have been rapidly mounting. But it is the rapidity with which more direct forms of restriction have been taken up and elaborated during the past few years that constitutes the most striking feature on the side of import restriction. In about a dozen countries, mainly European, there are milling quotas on wheat (and in some instances on rye) which reserve minimum percentages of home market requirements for the home-grown product; and the same principle is being increasingly applied in connection with other products. In a large and increasing number of countries import quota systems, limiting imports by some absolute standard, and import licensing systems are in force, the international financial crisis since the summer of 1931 having given new impetus to the adoption of such devices. Seasonal prohibitions on imports (especially of fresh fruits and vegetables) have likewise become increasingly prevalent, as have sanitary restrictions and prohibitions, outstanding examples of both of these types of restriction being described in the main body of this survey (see especially <u>Canada</u>; <u>Mexico</u>; <u>Argentina</u>; the <u>United Kingdom</u>; and <u>France</u>).

A second group of price-supporting measures consists of aids to branches of agriculture which are on an export basis, aids in the form of measures designed directly or indirectly to regulate exports. This regulation may operate in either of two directions. It may take the form of artificial <u>restriction</u> of exports. Or it may take the form of artificial <u>stimulation</u> of exports. An example of the former is the international sugar agreement (the so-called Chadbourne Plan; see <u>Cuba</u> below) limiting exports from the leading sugar-exporting countries for the purpose of raising the entire level of world prices of sugar. In the same category, but applying to a single country, are the Egyptian Government's restriction of cotton acreage (indirectly restricting exports); the "retention system" employed in Greece in connection with currants; and coffee valorization and defense measures in Brazil.

More widely prevalent, however, are the measures tending to stimulate rather than to restrict exports. These include export bounties and premiums in one form or another of which many illustrations will be found in the main body of this report. They include the so-called "import

certificate" system employed in Germany and one or two other countries, which is in reality a type of export bounty and more or less akin to the "export debenture" system proposed in the United States. They include regulatory schemes in a variety of forms of which the central objective is to "lift" the exportable surplus from the domestic market and sell it abroad for whatever it will bring, whilst disposing of the remainder of the crop in the domestic market on a protected price level. With respect to these latter the broad principle involved is similar to that contained in the various measures (the equalization fee, the export debenture scheme, etc.) that have been under consideration in the United States for preventing the exportable surplus of a commodity from depressing the domestic price to the level of world prices. Illustrations are to be found in connection with cereals in some of the Danubian countries, the Union of South Africa, and Southern Rhodesia; and again (in a rather different form) in connection with butter under the so-called Paterson Plan in Australia and under the Dairy Industry Control Act in South Africa. Coming also in this category of measures tending to stimulate exports are tariff bargaining measures designed to secure more favorable foreign outlets for agricultural products, and many other activities having the same object or result.

A third group of measures consists of production bounties and premiums, and other aids granted directly to the producer. Such measures cannot, of course, be entirely disassociated in their ultimate effects from import and export regulation. If applied to a commodity of which a country produces less than it consumes a production bounty, like a tariff, will tend to stimulate domestic production and to diminish imports of that commodity. And if applied to a commodity of which a country produces an exportable surplus, a production bounty, like an export bounty, will tend to stimulate exports of it. Nevertheless production bounties and premiums possess the distinguishing feature that they are directly and immediately associated with production as such.

Examples of such aids include the Australian production bounties (over a period of years) on raw cotton and flax; the Australian and Canadian bonuses to wheat-growers for the single year 1931-32; grain production premiums in Austria; Belgian subsidies for cultivation of new land areas; a French production premium on flax; a direct subsidy by Netherlands to its sugar-beet industry; Spanish production premiums on certain grades of tobacco; price-fixing and direct subsidy measures in Switzerland with respect to wheat; and the British production bounty to the sugar-beet industry. This, however, is only an illustrative, and by no means an inclusive, list. Production bounties and premiums are often so closely associated with trade control and other measures for aiding producers that it is difficult to draw the line between them. In their efforts to bolster prices of home-grown products governments are apt to rely, not upon a single device, but upon a varied and complex machinery of control of the factors affecting price.

Significance of Foreign Price-Supporting Measures For American Agriculture

For American agriculture the rapid growth of governmental intervention in support of prices of agricultural products has a dual significance. It is significant, first of all, by way of example, in connection with the efforts and the proposals in our own country to secure better prices for farm products through the intervention of the federal government. From this angle any measure affecting an agricultural product may be significant even though the product is one which does not compete with any grown in the United States. For example, no coffee is produced in continental United States (Puerto Rico produces some). And yet Brazil's attempts to bolster coffee prices by means of valorization and other "defense" measures may well be quite as instructive by way of illustration and suggestion as if the commodity involved were one competing with something which we do produce. Even non-agricultural price-supporting schemes may be of suggestive value. Whether the experience in other countries suggests action to be emulated or to be avoided in the United States, it is equally important that it should be examined.

More significant for American agriculture, however, is the immediate and adverse influence of many of these foreign measures upon prices of American farm products. In so far as they are applied to products competing with those grown on American farms, and in so far as they are effective, all such measures tend to reduce foreign outlets for products of which we have a surplus for export and to intensify the competition of foreign agriculture with that of the United States. In short, they have both a demand (or marketing) aspect and a supply (or production) aspect.

To consider, first, the marketing aspect, Our agricultural export trade has been confronted by high and rapidly mounting import barriers in recent years. Tariffs, milling quotas, mixing regulations, import quotas, import licenses, import prohibitions, and import monopolies: these and other devices have been employed to check the inflow of agricultural products into foreign markets. By raising the cost of the imported product or by keeping it out entirely, such restrictions tend to raise the prices which consumers in the importing country must pay for such imports as are enabled to enter over the tariff and for like or similar products of domestic origin. In these circumstances more of what is consumed tends to be derived from domestic sources than previously; but less is consumed. Where domestic production does not respond readily to increases in price, and where the demand is elastic enough so that substitution of other cheaper products readily takes place, there is a tendency for imports to fall off without anything like a corresponding increase in domestic production, other products (or perhaps nothing at all) being substituted for the former imports. Of the production side of this matter more will be said in a moment. What is here stressed is the tendency toward a definite and marked falling off in the total domestic consumption of the product in question. The readiness with which consumers in many European countries shift to cheaper flours such as rye and potato flour, corn meal, etc., when prices of wheat flour rise unduly, suffices to illustrate the point.

Restrictions on imports have been tightened during the last few years primarily for the purpose of protecting home agriculture. Other objects have also played a part, such as the desire to increase national revenues, to reduce or eliminate an unfavorable balance of trade, and to maintain financial solvency or currency exchange value; and it is to be noted that these latter factors have become particularly prominent since the world financial crisis set in during the summer of 1931. But in general the chief motivation has been protectionism. Hence such non-competitive products as coffee, tea, rubber, raw silk, and for the United States the most important of all agricultural exports, namely raw cotton, have been left comparatively free from import restriction. International trade in such products has, indeed, suffered from reduced buying power in importing countries and from international financial instability and the defensive measures growing out of this instability; but the trade in these products has been largely outside the range of protective import barriers. Not so, however, with respect to competitive products such as cereals, meat and dairy products, fruits, vegetables, etc. In such products international trade has experienced the stifling effects not only of reduced buying power and financial instability, but also of high import barriers maintained for the explicit purpose of protecting domestic farming interests.

To attempt in this connection to trade the incidence of foreign import restrictions on American agricultural exports would not be feasible here. There is one point, however, that should be noted in passing, namely, the fallacy (obvious enough but very frequently overlooked) of attempting to measure this incidence in terms of the actual volume, character and destination of our exports under the existing status. Where few import restrictions have been imposed, as in the important case of raw cotton, the point has, of course, no relevance. But where they <u>have</u> been imposed - and this includes almost every agricultural item other than cotton that the United States either does or might export - it is highly important. By examining the trade figures one can ascertain how much we are able to export <u>in spite of</u> foreign import barriers, together with the character and destination of our exports under these conditions. But one cannot tell, and only a sustained period of free trade or of low import barriers in foreign countries would enable one to tell, how much greater the volume and how different the character and destination of our export trade would be but for the barriers which now prevail. To examine the actual trade figures, therefore, for the purpose of obtaining light on the extent and nature of the dependence of American agriculture upon foreign markets is very largely to beg the question. Moreover, it is impossible by examining such figures to measure the indirect stimulus to our agricultural exports that might result from a reduction of agricultural and other import barriers, in view of the general revival of international trade and of foreign purchasing power which might be expected to follow.

On the side of supply, also, such barriers tend to lower prices of American farm products. For in so far as they operate as a check to imports of products that are grown in the importing country, their tendency isto maintain prices in that country, and hence also production, on a higher level than would otherwise prevail; to increase the total world supply; and hence to depress world prices.

Such, to repeat, must be the tendency. It does not follow, however, that in every case where imports have been restricted one should expect the figures as to home production of the commodity affected to show an absolute increase. The conditions governing the response of domestic production to the stimulus of high prices, - broadly speaking, the elasticity of production - tend to vary in different countries and in different branches of agriculture within the same country. One limiting factor common to all countries is the competition of one branch of agriculture with another. In so far as expansion of one branch can come only at the expense of another, the general application of import restrictions to all branches, while it may result in changes in their relative importance, cannot bring about any increase in the aggregate output of farm products. So far as aggregate output is concerned, the response to the price stimulus (other than through increased yields per acre) can come only through expansion in total acreage under production; and in some countries such expansion is difficult.

Nevertheless the high and increasing foreign barriers to imports of agricultural products must tend on the whole to call forth a larger agricultural output than would otherwise occur. In some, if not all, branches of agriculture in the importing country the presumption is that production will either increase more, or diminish less, than would otherwide have been the case, the only question being as to the amount. Whatever the amount, it will constitute just so much addition to the total world supply and by so much tend to lower world prices of the particular commodity affected.

Without entering into too much detail the point may be stressed by a concrete illustration. Take, for example, wheat, Undoubtedly the relative oversupply and the low prices of wheat have been due primarily to the great expansion of output in the exporting countries. But it is also true that protective measures in importing countries have been a further contributing factor. This is revealed not so much by the amount of the actual increases in acreage in those importing countries which have adopted vigorously protective measures, as it is by the fact that acreage has been sustained at all in the face of the growing severity of competition from the newer countries.

In continental France the wheat area has actually remained more or less stationary during the last decade, fluctuating between 12,500,000 and 13,500,000 acres, in contrast to an average of 16,770,000 acres in 1909-13. When one includes French North Africa, however, (from which source large but not unlimited quantities are admitted into France free of duty and exempt from the milling quota) the area in wheat shows some increase during the last decade; though it has not attained to the prewar level. In 1909-13, the area for continental France and French North Africa (estimated for French Morocco) averaged 23,301,000 acres. In 1920, due to a drop of more than 4,000,000 acres in France, it had fallen to 19,347,000 acres. By 1930 it had risen to 22,109,000 acres, only to recede to 20,688,000 acres in 1931, primarily by reason of declines in France and Algiers. Preliminary figures indicate, however, an increase for 1932 of about 10 per cent in the acreage in France proper and a substantial increase in North Africa.

In Germany, where the area in 1909-13 had averaged about 4,000,000 acres, there was an increase from 3,398,000 acres in 1920 to 5,355,000 acres in 1931; and preliminary figures indicate a further increase for 1932. In Italy, as against an average of 11,793,000 acres in 1909-13, the area increased from 11,383,000 acres in 1920 to a figure which has for several years been hovering close to 12,000,000 acres, with preliminary figures indicating a slight increase for 1932 over the 12,131,000 acres grown in 1931. In France (including French North Africa), Italy and Germany, combined, the total area in 1909-13 was 39,123,000 acres; in 1920, 34,129,000 acres; and in 1931, 38,118,000 acres. In some other importing countries where high import barriers have been imposed, notably Czechoslovakia, Greece, and Austria, the area in wheat has increased during the last decade well beyond the point at which it had stood before the war. Altogether it seems clear that import restrictions have tended to hold wheat production in these countries on a substantially higher level than would otherwise have been the case.

The significance of price-supporting measures from the standpoint of their influence on world supplies and world prices is likely to be greater, however, in the case of production and export aids granted in countries that are on an export basis for the commodity in question. In some instances, as in the case already mentioned of restriction of cotton acreage in Egypt and of the international agreement (Chadbourne Plan) for the restriction of sugar exports from the leading exporting countries, the purpose of the measures adopted is to reduce rather than increase the supplies thrown on the world market. Such, also, was the main object of the conference of the leading wheat exporting countries which met in London in May, 1931; though no agreement on limitation was reached in this case. These are, however, exceptions to the general trend, which has been in the direction of measures and policies tending to intensify rather than to check competition in the world market.

Here again wheat furnishes a good illustration. The last two decades have witnessed a great expansion of wheat acreage in the newer countries. In Canada the area in wheat increased from an average of 9,945,000 acres in 1909-13 to 26,114,650 acres in 1931. In Argentina, it was almost identical in 1931 with the average in 1909-13 (16,028,000 in 1931 and 16,051,000 in 1909-13), but had averaged about 19,500,000 acres during the preceding four years. In Australia the acreage (sown) rose from 7,602,000 in 1909-13 to nearly 14,000,000 in 1931. In the United States it rose from 47,097,000 acres in 1909-13 to 54,949,000 acres in 1931. Meanwhile, Russian acreage (sown), which had fallen from 74,000,000 in 1909-13 (Soviet authorities use a figure about 8 per cent larger than this) to 22,300,000 in 1922, had so recovered that by 1931 it had reached 92,400,000.

For this great expansion of acreage the World War and the revolutionary advances in technique that have occurred since the War were chiefly responsible. But as prices have declined, there has been an increasing tendency to resort to price-supporting measures or other forms of relief whose effect, in many instances, is rather to intensify than to solve the basic difficulty of overproduction. Little has been attempted, and less achieved, in the way of limiting output. In some countries not a great deal has been done on the side of price-supporting measures as such, efforts being more largely concentrated upon other avenues of relief. But on the whole the tendency has been toward increasing reliance on governmental measures designed to increase prices or otherwise to enhance the gross incomes of the producers.

To illustrate: In Canada the government has come to the financial assistance of the Wheat Pools and, in addition, is paying a bonus to the producers in the present crop year (1931-32). In Australia direct price-fixing measures have failed of application only because of financial difficulties; but even so a bonus is being paid to producers in 1931-32. In the Danubian countries marketing schemes are in effect whose tendency is to encourage export dumping, raise domestic prices, and increase home production. In Russia state policy is definitely directed to the encouragement of such an increase in production as will enable that country to meet her expanding domestic requirements and at the same time to recover at least her prewar relative standing in the world's wheat export trade.

Manifestly, the effects, as well as the technique, of the measures that have been applied in the case of wheat are matters of direct concern to wheat-growers in the United States. The same is true in other branches of agriculture. All such aids to agricultural export, whether applied to products of the type that the United States exports, such as wheat and tobacco, or to products of the type that she imports but also produces, such as wool and sugar, cannot but tend to lower the prices received by producers in the United States. The Danubian grain monopolies and controls of recent date and the joint efforts of these countries to secure preferences for their grain in European importing countries; the Canadian and Australian wheat bonuses; the Australian, South African, and Chilean export bounties on a range of agricultural products; and the many other foreign bounties and premiums on the production or exportation of crops such as are grown in the United States: all tend to intensify foreign competition with American agriculture.

Scope of Present Survey

That as full a knowledge as possible concerning recent and existing agricultural price-supporting measures in foreign countries is desirable, especially for those who are immediately concerned with improving the lot of American farmers, is implicit in what has been said up to this point. It is important that there should be readily available a systematic body of information concerning the nature, the extent and trend, and, so far as they can be estimated, the effects of these measures.

The present study is but a preliminary step in this direction. It is a descriptive summary of recent and present agricultural price-supporting measures in foreign countries. In general the measures discussed are such as have involved more or less intervention on the part of governments. This, however, is a somewhat difficult line to draw; and occasionally there is reference to activities which are largely private, though usually having at least the tacit support of the government. Occasionally also, as in the case of the Canadian Wheat Pools, recent developments have brought increasing intervention in connection with activities which were formerly non-governmental.

No attempt is made to appraise the effects of the various measures described. Owing to the comprehensive character of this survey and to the difficulties involved in such analysis, this has not been deemed feasible. In some cases the mere description of the measures carries unmistakable implications as to their effects. In others there is need for careful analysis of the manner and extent of their influence on prices, production, consump-

tion, foreign trade, government budgets, etc. Although some preliminary progress has been made along this line for certain areas, particularly in connection with cereals in the Danubian States, many of the more drastic measures are so recent and so changing, and have been adopted in the midst of such rapid changes in world economic and financial conditions, that at best it would be possible to reach only tentative and uncertain conclusions concerning some of their more important aspects. This does not at all mean that such analysis should not be attempted. On the contrary, it is highly important that it should. But it must be reserved for separate investigation.

Further explanation is required in regard to the manner in which the materials included in this survey have been selected. No iron-clad rule of consistency is followed in this matter; but in general the emphasis in selection is placed on measures tending to raise prices of the products to which they have been applied. Moreover, this emphasis is on measures tending to raise prices of such products by regulation or restriction of supplies produced or marketed rather than through reduction of marketing costs. Measures tending to reduce the "market spread", as for example reductions in transportation charges, are incidentally treated at some points. But there is no systematic attempt to include measures designed primarily to reduce costs of production or marketing; and in some cases material of this sort is deliberately omitted or only casually mentioned. It is recognized, of course, that such measures may affect farm prices or income. Any saving in costs of marketing should <u>tend</u> to raise prices at the farm and thus enhance <u>gross</u> (hence net) farm income, and any saving in costs of production should <u>tend</u> directly to enhance <u>net</u> income; though in either case competitive conditions may be such as to give most of the benefit to consumers. In any event, there should be some tendency, at least temporarily, to increase profits and to encourage production. For purposes of this survey, however, the emphasis is placed on measures for enhancing the gross income of the farmer in the nature of price-control schemes or as cash subsidies or their equivalent, rather than on measures to reduce costs of production or marketing.

Even in this more limited field, it is not pretended that the information which has been assembled is complete. So great is the variety and scope of the material, so rapid the changes in this field, and so miscellaneous the sources of information in certain instances, that it can hardly be expected that the information will be complete for <u>any</u> country. Moreover, it is necessary in the interests of time to set some limit on the list of countries incorporated; so that a considerable number, including the Central American countries, several of the South American, and a number in other parts of the world, are not included. In making the selection, however, and particularly in regard to space allotment, neither the general economic importance nor the agricultural importance of the country under consideration is necessarily the deciding factor. Some of the more important countries have done much less in the way of price control than have a number of the smaller ones. Some of the most interesting and far-reaching measures are employed by small countries such as Estonia, Latvia, and Lithuania. These are described in considerable detail notwithstanding that their immediate effects upon the economic interests of farmers in the United States may be small.

Again, as to the period covered, no set rule is followed. In general it is sought to make the statement for each country as complete as possible with reference to measures now, or very recently, in effect. But the whole situation is so subject to change that the survey should be regarded as a cross-sectional picture of measures in effect in 1931 and early 1932 rather than as a complete statement of the measures in effect on the date of issuance of this report. On the other hand, there has been no hesitation to include measures antedating 1931 whenever there has appeared good reason for doing so. Sometimes this is done because of the striking nature of a measure which was subsequently abandoned; sometimes it is necessary in order to give a proper setting in which to understand measures now in effect or in order to show the present trend. On the whole it has seemed best to preserve a certain measure of flexibility in this matter.

Finally, it should be noted that no attempt is made herein to catalog the most recent and drastic of all trade-control measures, namely the control and allocation, by governments or their agencies, of foreign exchange. The world financial crisis during the last year has led a large number of countries to adopt more or less rigid controls over the allocation of exchange for the purpose of preventing the flight of capital, restricting imports, or both. Such control strikes, of course, at the very nerve-center of foreign trade. But it is a very recent and a rapidly-changing phenomenon; and although it has doubtless in many instances affected agricultural prices in the countries where applied, it is employed chiefly for fiscal purposes rather than as an aid to domestic agriculture. Hence, along with a number of other trade-control measures growing out of the financial crisis that are largely of an emergency character, it is mentioned only incidentally in this survey.

ARGENTINA

Price maintenance measures have not been a particularly prominent feature of government intervention in behalf of agriculture in Argentina. In so far as the Government has been active in the direction of agrarian relief, much of its activity has been on the side of measures designed to reduce production or marketing costs rather than of measures intended immediately to affect the relation of supply and demand in such a way as to raise prices. There has been some activity, however, of the type more immediately related to price maintenance, and this has recently tended to increase. Most significant in this connection have been the tariff and other restrictions imposed on imports, and restriction of the production of sugar. Other measures tending to enhance farm income include regulation of the grain exchanges, the reduction of freight rates, the reduction of land rentals, special loans to the producers of cereals, and participation in the planning and financing of grain-elevator construction. Some of these latter will be discussed herein as well as the strictly price-maintenance measures.

1. Tariffs - Since Argentina is predominantly an agricultural country and since the great bulk of her agricultural production is definitely on an export basis, tariffs and other measures restricting imports manifestly can have but little effect in so far as the maintenance of internal prices is concerned. For example, corn, wheat, linseed, beef, hides, and wool, which are commodities of the first importance, are not in a position to benefit by increases in the tariff rates. On the other hand, a number of products of minor importance in Argentine agriculture are on an import basis for the country as a whole and thus in the position where supplies may be affected and internal prices enhanced by import restrictions. Agricultural products on an import basis include rice, yerba maté, coffee, tobacco, eggs, olives, and certain dried and fresh fruits. Practically all of her coffee and olives (olive oil) are imported; of the other items listed she produces more or less within her own borders.

During the past two years Argentina has increased her tariff rates on agricultural (and other) products with a view to protection both of domestic industries and of the Argentine currency. On February 23, 1931, duties on oats, wheat and corn flours, rye, beans, peas, lentils, dried vegetables, onions, nuts, honey, eggs, rice, cheese, edible oils, and certain fresh fruits became effective. On August 31 a large number of products hitherto on the free list were made dutiable and fixed valuations were established for them. Apples, pears, livestock, hides and skins, beverages, and certain foodstuffs were affected. On September 21 a general upward revision of rates affecting about 400 articles, including some agricultural products, went into effect. On October 7, an additional ad valorem tax of 10 per cent was levied on all goods imported, to be effective for a year.

As has been observed above, some of the foregoing agricultural products are on an export basis and some are on an import basis for the country as a whole. The rates of duty on some of the products which are on an import basis follow. On rice there is a duty of $1\frac{3}{4}$ cents a pound; on leaf tobacco, a small duty of about 12 cents a pound; on prunes, 4 cents a pound, on apples, about two cents a pound; on oranges, about a cent a pound; on canned peaches and pears, about 12 cents a pound. (Conversions made approximately at current rate of exchange as of March-April, 1932).

On February 27 a presidential decree (dated Feb. 6) providing for a sliding scale duty on sugar was published. Each month the duties on sugars are fixed so that the price for imported refined sugar in the Argentine market after clearing through customs shall be at least 11 centavos gold per kilo (2.9¢ a pound at current rate of exchange as of April, 1932). Before the tenth day of each month the National Sugar Commission determines the minimum price of foreign offerings, c.i.f. Then it computes the amount of additional duty so that the sum of the additional duty, plus the previously ascertained minimum price of foreign sugar, plus the expenses of clearing the sugar through customs amounts to 11 centavos gold per kilo (2.9¢ a pound). On refined sugar an additional duty of the same amount is applied. The application of the additional duty will be temporarily suspended whenever the Sugar Commission finds that the net price received for sugar by the local refineries in the Buenos Aires market exceeds 41 centavos paper per kilo (4.8¢ a pound). In case of suspension of the duty under the above circumstances an additional duty of 4 centavos gold per kilo (1.1¢ a pound) shall be imposed provisionally.

In addition to the regular restrictions on imports, a special provision against dumping of foreign products on the Argentine market went into effect in the latter part of 1931. The decree, dated August 8, 1931, provided that the executive power could apply new or higher duties temporarily under any of the following conditions: (a) When a foreign country concedes subsidies, special rewards, or other advantages to products destined for exportation; (b) when subventions, special rewards, exemptions, or other advantages are accorded for transport of foreign products or to persons engaged in shipping; (c) when competition of foreign products, favored by special circumstances, such as legislation, rate of exchange, low wages, forced labor, or any other form of "dumping" is harmful to Argentine production. The new duties applied in such cases remain in force as long as maintained by the executive power, until such times as confirmed, reduced, or suppressed by the National Congress. The changes are to be proposed by the Minister of Agriculture.

Under article 76 of the Argentine tariff law the executive power already had the authority to increase the Argentine duty rates by one-half and to establish a duty of 15 per cent on duty-free goods coming from countries which do not apply their minimum tariff to Argentine goods; which increase the charges on imports from Argentina; which place charges on Argentine goods otherwise duty-free; which exceptionally lower the duties on goods from other countries; or which by restrictive measures place impediments on the importation of Argentine fruit or products.

2. <u>Direct restriction of imports on economic or sanitary grounds</u> - Argentina imposes a partial embargo on imports of yerba maté, and for a time had seasonal embargoes on imports of fresh fruits. She maintains year-round sanitary restrictions on imports of apples and some other products.

Yerba maté, which occupies an important place as a beverage in Argentina, has heretofore been chiefly imported, mainly from Brazil. In order to encourage the domestic yerba maté industry, the Argentine Government prohibited the importation of yerba maté after January 15, 1931. The prohibition was modified to permit the entry of 60,000 tons a year at the rate of 5,000 tons a month, all but 500 tons of this monthly import allowance being distributed among certain importing houses according to a quota plan.

Seasonal embargoes were used until recently by Argentina to assist the domestic fruit industry, the idea being to keep out competitive imports during the time when the home products were being marketed. From March 9, 1931, until April 8, 1932, fresh fruits were permitted entry only during the time specified in the following schedule: oranges, from October 1 to June 30; mandarins, from October 1 to April 30; lemons, from November 1 to February 15; cherries, February 15 to October 31; plums, March 1 to November 15; apples and pears, May 1 to December 15; quinces, June 1 to December 31; peaches and nectarines, April 1 to November 15; grapes, July 1 to November 30; cherimoyers, October 1 to March 31, melons, June 1 to September 30; and watermelons, April 30 to October 31. A Government decree of April 8, 1932, removed these seasonal restrictions.

Various sanitary restrictions are maintained by Argentina on a number of agricultural products. Like other restrictions on trade, these have an economic effect. Of particular economic significance for American producers is the decree of July 1, 1931, restricting the importation of apples and certain other fresh fruits. The fresh fruits for which the restrictions were established are apples, pears, peaches, nectarines, oranges, mandarins, lemons, cherries, plums, grapes, quinces, and melons. Since the interest of American growers and shippers relates mainly to apples, the following summary covers that fruit only.

Under the decree of July, 1931, apples can be imported into Argentina only from May 1 to December 15 of each year, and, moreover, certain requirements must be met before entry will be permitted. The fruit must be packed for shipment in "the containers of standard types adopted by the exporting country" and each apple must be wrapped "in specially preparedpaper" stamped with the name of the grower or packer and the country of origin. The container in which the apples are packed must bear an indication of the contents, variety, number of apples, name and address of the producer or packer, and the country of origin.

In addition to the above requirements all shipments of apples to Argentina must be made under refrigeration and must be accompanied by a sanitary certificate issued by the official technical authorities in the country of origin. The certificate must show that the fruit is free from parasites and must give the variety, region where grown (locality and state), point of embarkation, name of ship carrying the fruit, name of consignee or representative of shipper at port of destination, and the date of issue of the certificate. The certificate must be visaed by the Argentine Consul at the port of shipment or by the one at the nearest port.

The decree also provides that the fruit could not be imported through any ports other than Buenos Aires and Rosario until the Government had been able to establish a quarantine service at other ports. All shipments will be subjected to inspection upon arrival in Argentina. If there is any reason to suspect the presence of parasites, the shipment will be placed in quarantine for such time as the sanitary officer may consider necessary. If no parasites are found the fruit will be released for entry. If blotch, canker, brown rot, soft rot, Mediterranean fruit fly, apple curculio, apple fruit miner, apple maggot and apple weevil are found, the whole shipment will be incinerated without indemnification, and at the expense of the im-

porter. Apples attacked by other injurious parasites not mentioned above will be refused entry but will not be incinerated in the event that they are immediately reshipped.

Shippers of both barreled and boxed apples are greatly hindered in making shipments by the strict inspection rules established under the new decree. Under the new regulations if the presence of certain specified parasites and diseases is discovered, the fruit will be incinerated. Since some of these diseases may develop in the fruit during transit, shippers cannot be at all certain that their consignments will reach their destination. The decree provides further that should parasites other than those specifically enumerated be discovered, the entire shipment would either have to be reexported immediately or also suffer confiscation by incineration. More significant still for the shippers of barreled apples is the provision for individual wrapping of the apples. This involves much additional labor or expense and was probably the chief cause of the virtual cessation, in 1931, of our formerly substantial shipments of barreled apples to Argentina.

Other sanitary regulations provide that fruits and vegetables in general must be accompanied by a phytosanitary certificate issued by authorized technical officials of the country of origin and visaed by the Argentine consul. Sugar must be accompanied by a similar certificate and if permitted entry is first quarantined for observation. Plants and seeds entering the country are likewise subjected on importation to routine inspection. Restrictions are placed on the importation of forage seeds in general, and on the seeds of plants which may be attacked by the European corn borer. The importation of the following is prohibited: alfalfa seeds (with some exceptions), bamboo plants, corn (both grain and plant), bananas and plantains.

3. Restriction of sugar production - In accordance with a decree of May, 1931, under authority of the Sugar Production Law, the production of sugar in the Province of Tucuman for the crop year 1931-32 was limited to 278,000 metric tons. The Province of Tucuman is the principal sugar producing area of Argentina, the other areas in the provinces of Salta and Jujuy being much less important. The producers of Salta and Jujuy, following negotiations with the National Sugar Commission, signed an agreement to limit their aggregate production to 90,000 tons, provided that the production in Tucuman did not exceed the stipulated 278,000 tons. Distribution of the sugar is under the control of the National Sugar Commission. The total agreed upon for Argentina was to be 368,000 metric tons, a reduction of about 4 per cent from the previous year's output. As a matter of fact, estimates of production for the crop year of 1931-32 indicate a harvest of 346,000 metric tons, giving an actual reduction of about 10 per cent from last year's production. The National Sugar Commission has decided to limit the output still further during the next three years by a reduction amounting to 124,000 tons.

Since Argentina produces only about enough sugar for her own needs, she is not participating in the International Sugar Agreement for the restriction of sugar exports on the part of the leading sugar exporting countries. (Concerning the International Agreement, see Cuba, below).

4. Supervision of the grain exchanges - One of the outstanding recent developments in agrarian relief in Argentina has been the adoption of measures regulating the grain exchanges. The measures adopted are not, strictly speaking, price maintenance measures in the sense that they immediately affect the relation of supply and demand. They are, however, measures designed to reduce the spread between prices in the primary markets and farm prices, and in this sense are price-maintenance measures. Because of this fact and also because of the prominence that has recently been given to them in connection with Argentine efforts at agrarian relief, some account of the grain exchanges legislation seems called for in the present connection.

On January 26, 1932, by special resolution of the Minister of Agriculture, the grain futures markets in Argentina were put under the supervision of the Bureau of Rural Economy and Statistics. A special committee undertook an investigation of what are known as the "price-to-be-fixed" operations and submitted a report in March. On March 17 the Government issued two decrees for taking over control of the operations of the grain futures markets on a permanent basis, the decrees becoming effective in part on April 1 and in remaining part on April 15. They appear to have been designed primarily to insure that free competition should reign at the country's two great grain-trading centers in Buenos Aires and Rosario.

The preamble to these decrees points out that "in both the Grain Futures Markets already mentioned, only 400 and 200 nominal shares have been issued, of 15,000 pesos each, each member being allowed to possess two or five, which by reason of their scarcity in this market and by the high value they have attained has reduced the group of operators to a limited number of people and does not allow that genuine producers either individually or in cooperatives, or persons or firms which are interested, either by their profession or commercially or industrially, in the grain or linseed market should form part of it." The "limited number of people" referred to in this paragraph is a consequence of the rule observed by the grain exchange, extending the privilege of trading only to the regular stockholders in the exchange.

One of the decrees removes these limitations and at the same time requires complete publicity of the details of all transactions. The other decree provides safeguards for the "price-to-be-fixed" contracts frequently entered into by Argentine farmers, and provides that the Government must be represented on the committees of the exchanges which determine the "fixation prices" received by farmers under the "price-to-be-fixed" contracts.

The methods of sale with which this legislation deals are peculiar to Argentina, where the inadequacy of storage and credit facilities at the farm and at country points necessitates immediate movement of crops to the central markets during harvest time. Very frequently sale is not fully consummated at the time when grain changes hands. Sale by the grower may be either "outright" (so-called) or under a "price-to-be-fixed" contract. Under the so-called outright method of sale the farmer at once receives about 95 per cent of the nominal price at the country shipping point at the time of sale. Later on, after standards for the season have

been set (by a committee of the Grain Exchange) and the grade of the individual farmer's grain has been determined, the grower receives the remainder subject to adjustment for grade.

Under the price-to-be-fixed method of sale, the farmer receives a large advance, usually amounting to about three-fourths of the value of the grain sold. The contract of sale is generally for a period of 30 days and renewable at the grower's option. The price is not fixed at the time of delivery, but it is agreed that the price shall be in accord with current "fixation" prices at the time when the sale is finally concluded and that the farmer shall set the day of the final sale. This the farmer must do before eleven o'clock on the morning of the day that he chooses. At four o'clock each afternoon a committee of each grain exchange meets and sets the "fixation" price for the day.

It is particularly with the method by which these "fixation" prices are determined that the agricultural interests have quarreled. The fixation price for a given date is an average of the sales made on the floor of the exchange during the day. Prices paid by the exporters naturally are a dominant influence in determining the prices on the floor of the exchange. Because a very few exporters handle the great bulk of the Argentine surplus and the current price of grain is often fixed after the grain itself has passed into their hands, it is contended that the grain exchanges of Buenos Aires and Rosario were being influenced to the disadvantage of the grower.

With particular reference to wheat it must also be noted that the adjustment of the spread between export prices and fixation prices is more or less an arbitrary matter inasmuch as Argentina has no official grading of grain and no official weighing or inspection. Although several types of wheat have been evolved for export grading, there is but one classification for wheat moving in the internal trade of Argentina, namely, f.a.q., or fair average quality. Discounts are exacted for inferiority below f.a.q. but no premiums are paid for superior quality. The standards of quality are made up in Buenos Aires and Rosario in February and March of each year from samples supplied daily by the exporters from the deliveries received by them. As will be seen below, supervision over the processes of sampling and standard-fixing are provided in the second of the recent decrees relative to the grain exchanges.

The situation was summarized in the preamble to the decrees, in setting forth their purpose, as follows: "In virtue of the prevailing method with regard to sale contracts (i.e. sales at prices to be fixed at a further date), buyers are in a privileged position and sellers lack even the smallest legitimate guarantee, or, in general, feel prompted to speculate with regard to terms for the fixing of prices. At present, on liquidating the contract, it is customary to decide on the price according to that which is paid on that date by two or three exporting firms, without excluding the buying firm, and it is urgent to create guarantees which may place both the buyers and the sellers in a position of equality through the establishment of official prices fixed by organizations having the status of an association and through the intervention of the Ministry of Agriculture."

Article 1 of the first decree issued on March 17 provided for increased competition on the grain exchanges by making persons who are not stockholders in the exchanges eligible for trading on them. This privilege had previously been limited by the exchanges to their own regular members, who were also stockholders in them. Now the privileges of the futures markets are open to all persons who are directly concerned with the production, marketing, and industrial utilization of grain, including farmers and farm cooperative organizations, grain shippers and millers, subject to the posting of proper security for the faithful performance of their contracts.

Other important provisions of this decree were directed toward making public the transactions of the grain exchanges. The Ministry of Agriculture through the Bureau of Rural Economy and Statistics exercises permanent supervision over all operations and over all telegrams officially sent or received by each grain futures market, except as regards the names of the individual operators, which may be investigated only under express authority of the Minister of Agriculture. Persons using the exchanges must register with the Bureau of Rural Economy and Statistics. The futures markets must daily publish a summary of the day's transactions, specifying the amounts of grain offered, the amounts sold, and the respective prices and dates of delivery, such publication being subject to the censorship of the Ministry of Agriculture. Every merchant, broker, or society must also keep a record of all operations in a book of special form so that the records shall be available to the Ministry of Agriculture for comparison with those of the futures markets.

Another important requirement set forth in this decree besides that of publicity is the requirement that "Within 60 days from date the amount of the reserve funds at the disposal of the markets shall be destined, up to 80 per cent, except that part that may have been invested in bonds of the public debt, to the increase of agricultural credits, through warrants on grain stored in barns, elevators, deposits, and sheds of any kind which offer the necessary security."

A minor provision of the first decree states that buyers who receive, in turn, orders of delivery, shall have either five or ten days but no more, in which to take delivery, depending on whether the grain is in port or in the interior of the country. Quite possibly this leeway given to buyers may tend to encourage buying operations.

The second decree issued on March 17 is concerned with sale contracts, particularly of the "price-to-be-fixed" type. Article 3, which is the most important, sets forth that the grain exchanges of Buenos Aires and Rosario shall include an official representative and that in the committees which daily fix the so-called official prices on the exchanges there shall be a delegate named by the Ministry of Agriculture, whose powers shall be equal to those of the other members. The price to be observed in settling price-to-be-fixed contracts must be the daily price as fixed by one or the other of these two exchanges, as specified in the contract. Another important provision of the decree is that the seller may, under a price-to-be-fixed contract, request the fixing of price for either

the whole or for just a part of the quantity of grain specified in the contract. In cases where prices are fixed for a part and the contract is to run for a month, to determine the price of the balance the following procedure must be observed: During the 25 working days before the expiration of the contract, price shall automatically be fixed, each day, of one-twenty-fifth part, although on any of those days the whole balance may be fixed.

In other parts of the decree various safeguards are set up to prevent fraud. Buyers of grain must within five days of their purchase send a copy of the sale contract to the office of Rural Economy and Statistics to be placed on file. When the grain is delivered, a sample of the grain sealed and signed by both parties and a copy of its analysis describing the quality, test weight, etc., must be sent to the above office.

5. <u>Other relief measures</u> - During the past year (1931) the Government induced the railroads to lower the freight rates on corn moving from the interior to the seaboard, for the marketing season only. It likewise endeavored to bring about a reduction of rentals; it fostered a large program of construction of grain elevators; it sponsored an aggressive campaign to increase the domestic consumption of corn; and it engaged in other activities to lighten the burden of the crisis, inclusing the granting of special loans to cereal producers.

In connection with this last item the following measure was adopted by the Bank of the Nation, which is a government institution, on December 14, 1931. The managers of the Bank's interior branches were authorized to grant special loans to farmers on wheat, linseed, barley, oats, and rye of the current harvest. The loans are to be granted according to a stipulated price basis for the individual grains stored at the ports, at the railway stations, or on the farm, and will apply to grain either in bags or in bulk. So far as this loan concerns wheat, the basis established is considerably more than that fixed in previous years, being equal to approximately 75 per cent of the value of wheat on the basis of current market quotations. Repayment of a loan may be made within a period up to 150 days from the day it is granted. The rate of interest has been fixed at $6\frac{1}{2}$ per cent. The Board of Directors of the Bank of the Nation pointed out that they had adopted this means of providing aid for the handling of the farmers' crops in order that the movement to market could proceed in an orderly manner and in order that producers could count on having the funds necessary for the settlement of their more pressing debts. The Board desired further that these loans should be widely diffused throughout the country so as to benefit as large a number of farmers and grain merchants as possible.

Of more permanent significance in the field of orderly marketing is the program for the construction of a nation-wide system of grain elevators, in which the Government is playing an important role. The Government participated in framing the plans for a chain of 130 elevators to be constructed by the Association of Argentine Cooperatives at strategic points in the grain-raising districts of Argentina. The formation of a special corporation, the Rural Development Corporation of America, to promote the project was approved by the Provincial Government on July 18, 1931.

Subsequently, on November 7, 1931, a contract for the construction of elevators was entered into by the Government, the Association of Argentine Cooperatives, and the Rural Development Corporation. Subject to the approval of the Ministry of Finance and in accordance with the plans and estimates of the Ministry of Public Works, the Corporation was to be permitted to issue debenture bonds up to the whole cost of the work projected. Ten per cent of the debentures was to be retained by the Ministry of Public Works as a guarantee of satisfactory construction, to be returned to the Corporation after the elevator had functioned for a year without inherent defect. To insure that the properties would be owned by the farmers' cooperatives, the Bank of the Nation was to handle the financial arrangements under a special plan of amortization. The Bank of the National has been extending increasing amounts of financial aid to the cooperatives recently, mainly in connection with construction of elevators. Credits extended in 1931, amounting to about two million dollars, were about a third greater than in 1930.

AUSTRALIA

In Australia government intervention in support of prices of agricultural products has been noteworthy, especially on the side of cooperative marketing. Both the Commonwealth and the State Governments have been active. Among their activities may be mentioned: restriction of imports; support of producer-controlled marketing organizations, some of which manage the exportation of Australian products on a national scale and some of which control in local marketing; the support and even conduct of state monopolies in some farm products; the payment of production bounties; and the securing of preferential entry for Australian farm products into overseas markets by means of reciprocal tariff preferences.

In but one instance, namely in connection with the premium of 1s. to 1s.9d. (24¢ to 43¢ at par) a gallon on exports of sweet wines, does there appear to be a straight export bounty, paid by the government, on any agricultural product or its immediate derivative. But in other ways the Commonwealth and State Governments are involved in activities calculated to aid exportation; and in one important instance, namely butter, a system is in operation, with the tacit support of the government, whereby the producers assess themselves in connection with a price-supporting scheme which involves payment of what amounts to a private export bounty.

1. Restriction of imports - Australia is predominantly an agricultural country, about three-fifths of the value of her total production and about three-fifths also of her exports being agricultural. Among her agricultural exports the most important are wool, wheat, meats and tallow, butter, and raisins. On the other hand, she imports greater or less quantities of some agricultural products, including not only coffee, of which she grows an insignificant quantity, but also certain commodities of which she produces important amounts. Among native-grown products which are also imported tobacco, hops, onions, and bananas are of consequence.

Take first the export group. On all of the leading items in this group customs duties or other import charges are imposed. Wool is permitted entry duty-free, but in common with other imports is assessed a primage duty of 10 per cent ad valorem plus a sales tax of 6 per cent - the latter being based on the duty-paid selling value. Wheat pays 2s. per 100 pounds (29.2¢ a bushel at par). On cold processed meats, both beef and mutton, the duty is 3d. (6 cents) per pound; on fresh or smoked meats, 2½d. (5¢) per pound. When imported in packages of over 4 pounds each, inedible tallow pays a duty of 4s. per cwt. ($0.87 a hundred pounds) or 20 per cent ad valorem, whichever returns the greater revenue; in packages of less than 4 pounds each, 6s. per cwt. ($1.30 a hundred pounds) or 25 per cent ad valorem. The duty on butter amounts to 7d. (14¢) per pound. Imports of raisins were prohibited in April, 1930; nominally, the duty would be 6d. (12¢) a pound. Conversions of the Australian rates to United States currency, as given above, are on the basis of par exchange. At the present time, however, (April, 1932) Australian exchange is about 40 per cent below par.

Even if the foregoing import duties on products of which Australia produces an exportable surplus were purely nominal they would be significant to the extent that they indicate the protectionist intent of the law. As a matter of fact, however, some of the duties in this category are not purely nominal. In connection with some of these export products the tariff is a part of a more comprehensive system of trade control by which domestic prices are maintained above the export price level. In the case of butter, the tariff plays a part in the Paterson Plan (see below) by which domestic prices are maintained above export prices. Cotton, which is on an export basis in some years, is sheltered by a tariff while the Queensland State Government purchases the entire crop at a fixed price. A complete prohibition on imports of sugar shelters a governmental monopoly in that export product. The duties on wheat and wheat flour help to maintain local prices in Queensland and New South Wales, notwithstanding that Australia as a whole is on an export basis for these products. The internal trade restrictions and regulations with which these tariff and other import restrictions are associated, will be discussed below under other headings.

In the import group, the most important item is tobacco, although hops, onions, and bananas also merit some attention. On tobacco, the rates are as follows, per pound: unmanufactured tobacco, to be locally manufactured into cigarettes, 5s.8d. and 5s.2d. ($1.38 and $1.26), respectively, for stemmed and unstemmed; into cigars, 3s.8d. and 3s.2d. ($0.89 and $0.77); and into other types of tobacco products, 3s.6d. and 3s. ($0.85 and $0.73). On hops the rates are 1s. (24¢) per pound under the general tariff and 6d. (12¢) per pound under the Empire preference. On onions, the rate is £8 ($38.93) per ton to all countries; and on bananas, 1d. (2¢) per pound. To most of these charges must be added a primage duty of 10 per cent ad valorem and a sales tax of 6 per cent. The most important remaining item in this group, namely coffee, pays a duty of 4d. (8¢) per pound (raw) or 7d. (14¢) per pound (roasted). To allow for present (April, 1932) depreciation of Australian exchange, it would be necessary to reduce the foregoing duty equivalents, in U. S. currency, by about 40 per cent.

The foregoing rates are in line with the general policy of protection in Australia. Until recently the tariff trend in Australia was upward. With a recent change of Government, however, there has been evidence of some tendency toward a moderation of tariff rates.

In addition to tariff rates proper, reference should be made to Australian anti-dumping legislation. A law of 1921 provides that, after investigation and report by the Tariff Board to the effect that the importation of certain goods is detrimental to an Australian industry, special duties are to be assessed. Such cases occur when goods are sold for export to Australia at a price less than the fair market price for home consumption, or even at a price considered less than reasonable. Thereupon a special dumping duty is collected equal to the difference between the price at which the goods were sold and a fair market price. When goods are exported to Australia at freight rates less than those prevailing, a dumping duty amounting to 5 per cent of the value of the goods at time of shipment is assessed. Special duties are also provided for protection against depreciated foreign currencies.

A further restriction of imports results from the imposition of various sanitary prohibitions and restrictions. The entry of most of the important fruit trees, including the stone and deciduous types, from countries where certain diseases are present is forbidden. The importation of citrus fruits as well as plants coming from any country where citrus canker is known to exist is prohibited. Sugar cane, bananas, and potatoes must be inspected and certified as to freedom from disease before being permitted to enter. Cottonseed and raw cotton can be landed only at certain ports where they must undergo rigorous examination before being certified for entry. In addition to national restrictions, there are others imposed by the various States tending to limit imports.

2. Government support of cooperative marketing - Much of the government aid to agriculture in Australia has been concerned with helping the farmer to help himself through the medium of cooperative organization in marketing. Marketing pools are formed dealing, as a rule, in but one commodity or in a closely allied group of commodities. Both compulsory and voluntary pooling prevail. Under the compulsory system every producer is obliged to dispose of all or part of his output of a given commodity through the cooperative. Under the voluntary system, the producer may dispose of his output through the pool or not, as he sees fit. Most of the compulsory pools of Australia have been created by legislation which provides that marketing through a central organization shall be obligatory upon all of the producers when a majority of them so decide by ballot. The compulsory pools set up have usually been in the form of control boards. These differ from the familiar producer-controlled cooperative in that the government, either state or federal, is directly represented and plays an important part in their conduct. Government support has also been extended to voluntary pools, mostly in the shape of federal aid but also in the shape of informal state aid. The aid given by the Commonwealth and State Governments to compulsory pooling is here discussed under headings (a) and (b), respectively; that given to voluntary pools, under (c) and (d), respectively.

(a) <u>Federal government support of compulsory pooling boards</u> - In accordance with the wishes of the producers, as expressed by a majority vote, two laws, one creating an export control board for dried vine fruits (raisins) and the other creating one for canned fruits, have gone into effect in Australia. The avowed purpose of these boards is to coordinate exports without attempting to control the domestic market, although by promoting exports they may tend to raise domestic prices. Indeed it is stated unofficially that, under the shelter of the tariff, dried fruit prices have been maintained in the domestic market higher than those received in the British market, whereas under free competition the opposite situation should have obtained. In connection with export control boards, in general, the Commonwealth Government assists materially in a financial way, particularly when a state board is newly organized. The Commonwealth also contributes materially to the advertising campaigns of the fruit producers, and the produce5s' organizations, on their side, maintain close touch with the Government in the matter of advertising.

<u>Dried vine fruits</u> - The Dried Fruit Export Control Board exercises a considerable measure of control over the export trade in dried grapes. It has a membership of eleven, eight of whom represent the growers. One member is a representative of the Government and two are commercial experts appointed by it. Growers, dealers, and packing sheds must register with the Board. Contracts made by exporters must be submitted to the Board's London agency for approval, particularly with respect to price, the object being to eliminate unnecessary competition. Provisional export quotas are fixed for each of the states and these serve to regulate the volume of export trade to some extent. The Board also performs the important function of overseas publicity agent for the Australian dried fruit trade. These activities serve to encourage cooperation among the producers. Such a board is also able to prevent the exportation of produce of inferior quality. Funds for the Board's operation are derived from a small export tax amounting to one-eighth of a penny a pound on dried fruits (one-fourth of a cent at par), collected by the Commonwealth Government.

The legislation establishing the Dried Fruits Board is typical of this kind of government support. The Dried Fruits Export Control Board was created by the Dried Fruits Export Control Act of 1924, which became effective in February, 1925, after a majority of the growers of Australia had voted in favor of the control system. The Act prohibited exports except by the Board itself or under its license, and gave the Board power to set up the London agency for the purpose of disposing of Australian dried fruits in London or elsewhere. Another act of 1924, known as the Export Guarantee Act gave power to the Commonwealth Treasurer to guarantee to the Commonwealth Bank or any other prescribed bank doing business in the Commonwealth the repayment of advances made to a board in connection with the financing of exports under the various acts. It stipulated that the amount so guaranteed must not exceed 80 per cent of the produce upon which the advance is based.

Canned fruit - In similar fashion the Canned Fruits Export Control Act of 1926 created a Board of three "to control the export, and the sale and distribution after export, of Australian canned fruits." Canned fruits may be exported only as the Board determines. Contracts for the export of canned fruits are made only by the Board acting as the agent, of the owners, or else in conformity with conditions approved by the Board. The Canned Fruits Export Control Act, which established the Board in 1926, was very much like the Dried Fruits Control Act and it, too, became effective only after the growers had expressed their approval at a poll. As will be seen below in connection with sugar, processed fruits benefit by a considerable rebate on the cost of the sugar content when they are exported, this rebate being granted in order to relieve the canners from any disadvantage in export arising from high domestic sugar prices.

(b) State government support of compulsory pooling boards - Two states of Australia, Queensland and New South Wales, have enacted extensive legislation for compulsory pooling. Commodity control boards have been set up similar to those already described but on a smaller scale and covering a wider range of commodities. Although the government support described below is mostly in the form of enabling legislation, support has been extended in other ways, much of it informally. Furthermore some of the statewide compulsory pools receiving state (and federal) government support have taken on monopoly aspects; these are treated below under the heading of "Monopolistic controls and price-fixing in the Australian States". Meanwhile a brief account of the compulsory pooling legislation in Queensland and New South Wales will be given.

Pooling legislation in Queensland - Since the war Queensland has been the most active of the Australian states in the matter of pooling legislation. The first act of this nature was the Wheat Pool Act of 1920, discussed below under Section 3 on monopolistic controls. This Wheat Pool Act was followed, in 1922, by the Primary Products Pools Act, which provides that the Governor-in-Council may, upon the recommendations of the Council of Agriculture or if requested so to do by a representative number of growers or by an organization representative of the growers, declare any grain, cereal, fruit, vegetable, or other product of the soil in Queensland or any dairy produce or article of commerce a "commodity" for the purposes of the Act. Thereupon all the commodity is to be delivered to the Board established to market it; with certain minor exceptions all sales except to the Board are prohibited. Contracts for the sale of the commodity for delivery in or out of Queensland are void after publication of a notice to that effect in the Gazette; and there is the usual proviso excepting interstate contracts from the operation of the Act. Under this Act pools were set up for various periods of time in corn, eggs, butter, pigs, peanuts, canary seed, arrowroot, and cheese.

In the same year, the Fruit Marketing Organization Act was passed, establishing a Committee of Direction to take control of the marketing of fruit. According to the provisions of this new act, the Primary Products Pools Act could not be applied to fruit and no other organization for pooling fruit could be created.

Marketing of primary products in New South Wales - In 1927, the State of New South Wales adopted the Marketing of Primary Products Act. By a majority vote of the producers of a particular primary product, that product may be brought under the Act, whereupon a Board is constituted to have jurisdiction over the marketing of the whole output of that product for the state or for specified areas. Commodities excepted from the Act are wool and dried fruits. Any Board established under the Act consists of not less than five members, three producers and two Government nominees, one of whom is the Director of Marketing and the other a consumers' representative.

Eggs, rice, and honey have been brought under the Act. The Boards handled the following amounts of produce: of eggs, about 14.5 million dozen during the year ended June, 1931; of rice, some 27,000 tons during 1930; of honey, about 21,000 60-pound tins from the time of the constitution of the Board in October, 1930, to June, 1931 (9 months).

Ballots were held at various times to bring wheat, butter, millet, and certain stone fruits under the Act, but the requisite majorities were lacking.

(c) Federal government support (open or tacit) of voluntary pooling - Butter and wheat in Australia are marketed by voluntary cooperative organizations, the former almost entirely, the latter only in part. Both receive encouragement from the federal government.

Butter: Paterson Plan - What is known as the Paterson Plan has been in effect in Australia with respect to butter since 1926. The Paterson Plan involves the equalization fee principle, lacking only the outright compulsion of the equalization fee. The cooperative and private corporate creameries, which dominate the dairy industry, have vested their control in a Stabilization Committee. An all-Australian price above world parity is set, and to this the creameries are expected to adhere. The creameries pay a small levy of a few cents a pound to the Committee on their entire output. At first the levy amounted to 1d. (2¢) a pound but since 1928 it has amounted to $1\frac{3}{4}$d. (3.5¢) a pound. The proceeds go into a fund out of which a bounty is paid on the exportation of butter from Australia. The higher domestic butter prices that are made possible by the removal of the surplus from the domestic market compensate the creameries for their disbursements. The bounty paid under the Plan has varied considerably, having been given the following values: on January 1, 1926, 3d. (6¢) a pound; on September 1, 1928, 4d. (8¢); on January 1, 1929, $4\frac{1}{2}$d. (9¢); on January 1, 1931, $3\frac{1}{2}$d. (7¢); on April 1, 1931, 3d. (6¢); on April 12, 1931, $2\frac{1}{2}$d. (5¢); and on April 2, 1932, 3d. (6¢) a pound.

The sudden reduction in the amount of the bounty from $4\frac{1}{2}$d. to $3\frac{1}{2}$d. (9¢ to 7¢) a pound in January, 1931, is evidence of the difficulties encountered by the export subsidy. Under the stimulus of the bounty, the production of butter had increased considerably and, concomitantly, exports had grown to such dimensions that the requirements of the bounty on exports had threatened to exceed the funds available from the levy on production. Continued heavy exports resulted in further reductions in the

value of the bounty as listed above, until very recently. Another difficulty encountered by the bounty on exports of butter was the imposition, or threatened imposition if shipments were received in quantity, of countervailing duties by Canada, France, and the United States on the Australian bounty-fed product.

Strictly speaking, the Paterson Plan is a private, rather than a governmental, price control scheme, adopted and administered by the butter industry independent of legislative enactment. However, it is to a considerable extent dependent upon the tacit support of the Government. In the first place, its very existence as an organization which diminishes competition in trade rests upon at least a tacit waiving of the anti-monopoly legislation of Australia, for according to the Law for the Preservation of Industries (1906, 1910) no contract or agreement may be made to restrain commerce and no (legal) person may monopolize commerce with foreign countries. In the second place, because of the nearby position of low-cost supplies of butter in New Zealand, the success of any scheme for keeping up the domestic price of butter in Australia depends on imports being severely restricted. The Australian Government provides the necessary restriction in the form of a high tariff. In April, 1932, the duty was 7d. per pound(14 cents at par). The necessity for restricting imports was demonstrated as early as 1926 when, according to unofficial sources, the scheme threatened to break down under a duty of only 3d. per pound and was restored to a firm position by the enactment of a higher duty.

Wheat - The federal government also extends aid to two of Australia's three voluntary wheat pools. The Commonwealth Bank, which is essentially a Government institution, finances the Victorian Wheat-growers Corporation and the South Australian Wheat Pools. (The finances of the Cooperative Wheat Pool of Western Australia are provided by the Cooperative Wholesale Society of Great Britain). It is reported further that the Government itself has provided terminal elevators for wheat storage.

(d) State government support of voluntary pooling - The aid extended by state governments to voluntary pooling in Australia has been mostly of an informal sort. However, one example of formal support is to be found in Queensland. Legislative provision for the proper organization of voluntary pools was made in the Primary Producers Cooperative Associations Act of 1923. Such an association, which must be registered under the Act, may be established for the purpose inter alia of selling and disposing of the primary products of its members in the most profitable manner. Associations registered under the act may adopt without alteration certain model rules or they may amend the model rules subject to the requirement that certain particulars specified in the Act itself must be included. The formation of such associations is encouraged by the imposition of various restrictions upon the activities of unregistered societies.

There appears to have been further activity by the Australian States in support of voluntary pooling, but information on further State aid in this field is lacking in detail.

3. Monopolistic trade controls and price-fixing in the Australian States - Perhaps the most positive method to which a Government may resort for maintaining prices is some form of monopolistic control, with the Government itself or some agency taking the bulk of the farmer's output and either paying a fixed price or guaranteeing a price to the producer. Commonwealth and State Governments have cooperated in Australia in establishing controls over the trade in several agricultural products. These controls, while not actually monopolies, at least have monopolistic aspects. Sugar, cotton, wheat and flour have been made the subjects of monopolistic controls.

(a) Sugar monopoly: Queensland - The State of Queensland produces all of Australia's sugar cane except for a small quantity grown in New South Wales. According to an agreement with the Commonwealth Government, dated April 25, 1929, the Queensland Government is authorized to acquire 99 per cent of the sugar cane produced in Queensland and all of the raw sugar manufactured in New South Wales. It sells all grades of sugar and cane products at prices which are the same in the main distributing centers of the Commonwealth. Prices are fixed at definite rates for different classes of purchasers, the manufacturers of fruit products destined for home consumption being given the lowest rate. To the manufacturers of fruit products that are exported, the Queensland Government pays a rebate on the sugar content, equal to the difference between the domestic price that it has charged them and the world parity price. Queensland further stands responsible for any loss arising from the exportation of surplus sugar. The Commonwealth Government, on its side, prohibits the importation of sugar except as may be necessary to meet a shortage.

(b) Cotton: Queensland - Queensland likewise is the source of practically all of the Australian-grown cotton. The Commonwealth Government pays a fixed price of 5d. (10 cents at par) a pound to growers for raw cotton, to continue in effect until 1935. This is apart from the bounty paid to the growers by the Commonwealth (See "Production bounties" below). The Cotton Board of Queensland is the agency through which the aid is administered. The Board owns six gins and an oil mill, which are capable of handling the whole of the state's cotton output.

(c) Wheat: Queensland - The amount of wheat produced in Queensland is just about enough for local consumption. This condition makes it possible for the State of Queensland to maintain what amounts to a guarantee of the price of wheat. The sole marketing agency is a compulsory pool organized on the basis of a State Wheat Board, consisting of five representatives of the growers with a Chairman appointed by the Government. The Board disposes of about 90 per cent of the total crop, all wheat not necessary for consumption on the farm being required by a Wheat Pool Act of 1920 to be delivered to the Board. The Commonwealth Bank provides the financial assistance, the State Government guaranteeing the Wheat Board's account with the Bank. Initial advances are made available to the growers upon the delivery of their wheat at country stations; the initial payments in the 1929-30 season varied from 2s. 3d. (55¢ at par) per bushel for feed wheat to 4s. (97¢) per bushel for No. 1 Milling Wheat. Further advances are always provided for and wheat prices are guaranteed throughout the State.

(d) Wheat flour: New South Wales - In New South Wales the State Government acquires all flour for home consumption at £7.5s. ($35.27 at par) a ton, reselling to users and retailers at £10. ($48.66), a price which is 13.4 per cent higher than the purchase price. The growers are granted loans from the profits of the State Government's transactions. Exports of flour are not affected.

4. Production bounties - The Commonwealth Government of Australia is paying cash bounties on the production of wheat, cotton, and flax. In the case of wheat the bounty is only for the 1931-32 crop and is perhaps more properly to be described as a bonus, since it applies to production already consummated, and is not offered over a period of years as inducement to produce more wheat.

(a) Wheat - A bounty of 4½d. a bushel (9 cents at par and about 5 cents at current rates of exchange) is being paid on all wheat marketed by growers during the 1931-32 season, which began in December. The banks of Australia agreed to make available a loan of £3,000,000 (about $14,600,000 at par or $8,000,000 current exchange basis) to cover the bounty. The Australian Minister of Agriculture estimated that the total quantity of wheat available for sale out of the 1931-32 crop would be about 160,000,000 bushels, an amount sufficient to absorb the loan to be advanced by the banks. The total payments of bounties to wheat farmers up to February 25, 1932, amounted to a million pounds (about $4,866,000 at par, or $2,920,000 at current exchange), representing some 40,000 claims.

The method of paying the bounty, according to the Australian Minister of Markets, was to be as simple as possible. Regulations would require the grower and the receiver of the wheat to state on prescribed forms the quantity of wheat sold or delivered for sale. On the receipt of this information a check would be sent to the grower by the Department of Markets.

(b) Cotton - The Commonwealth Government is paying a bounty of 1½d. (3 cents at par) a pound for the production of raw cotton and 1s.3d. (30 cents) a pound for the manufacture of cotton yarn from native cotton. This arrangement will continue through 1932. From 1933 to 1935 a fixed price of 5d. a pound will be paid instead. (See below)

(c) Flax - The Commonwealth Government is paying a bounty amounting to 15 per cent of the cash selling value of flax to producers as an addition to the prices received. This bounty will continue for two years, to be followed by one of 10 per cent for two years, and by one of 7½ per cent for the two years following. After one more year of bounty aid thereafter, the grant will expire. The value of the bounty to be paid during the last year is limited by the provision that the total of the six years' payments may not exceed £20,000.

5. Preferential tariff arrangements - Farmers in Australia have in the past twelve years secured an increasing amount of preference formany of their products in other markets in the British Commonwealth of Nations under the policy of imperial preference. Since the Commonwealth was established in 1901 Australia has always been definitely protectionist in her

tariff policy. Since the enactment of the tariff act of 1908, however, Australia has consistently advocated the principle of imperial preference. The Tariff Act of 1908 provided preferential tariff rates in favor of goods produced or manufactured in the United Kingdom and these preferences have subsequently been greatly extended. With the sole exception of Great Britain, however, Australia has never extended her preferences to other parts of the Empire without demanding preferences in exchange. At the present time Australia secures substantial preferences for many of her important agricultural exports in the markets of the mother country and Canada.

In the case of the mother country (see United Kingdom) Australian farmers since 1919 have enjoyed preferential tariff treatment on such agricultural exports as currants, raisins, dried and preserved fruits, sugar, and tobacco, and since 1925 on hops. These preferences have been instrumental, particularly in the case of dried fruits, in building up important export industries in Australia. In the case of Canada a trade agreement (see Canada), effective as of August 3, 1931, grants Australian exporters greatly reduced duties on such agricultural products as beef and veal, lamb and mutton, canned meats, eggs, cheese, butter, hops, rice, fresh apricots, pears, quinces, nectarines, grapes, oranges, dried apricots, peaches, pears, raisins, currants, canned fruits, peanuts, sugar, and wines. Australia has also negotiated a trade agreement with New Zealand by which exports of certain products from Australia are given the British preferential rates in that market in return for reciprocal arrangements for certain New Zealand products coming into Australia.

In 1906 Australia entered into a reciprocal agreement with South Africa by which Australian goods were granted the British preferential rates in the South African tariff on butter, fodder, wheat, flour, and meat, while Australia granted reduced rates of duty on South African timber, fruits, feathers, corn, wines, sugar, and tobacco. Australian exports to South Africa were considerably greater than South African exports to Australia and the agreement was allowed to lapse on July 1, 1926.

AUSTRIA

Price-influencing measures for agricultural products in Austria in recent years have taken the form chiefly of restrictions on imports, though direct financial aid to her farmers has also some times been granted.

The partition of the old Austro-Hungarian Empire in 1918 left Austria in a position of greatly increased dependence upon foreign sources for her necessary supplies of many foodstuffs and raw materials. Yet notwithstanding this dependence, various circumstances have combined to bring about increasing import restrictions on agricultural, as well as on other, products. One important circumstance has been the high tariff and other import restrictions maintained by neighboring countries and the desire to be in a position to bargain effectively with them for more favorable treatment of Austrian exports of manufactured goods. Another has been monetary depreciation and the financial difficulties through which Austria has gone since the war.

Austria has sought to restrict imports by means both of tariffs and of licenses and quotas. In order to offset currency depreciation the nominal rates of duty after the war were supplemented from time to time by a customs surcharge. As depreciation advanced, this multiple for maintaining the gold parity of the Austrian crown was changed frequently. In addition, on February 15, 1923, a system of import licenses was adopted. This required special import licenses for a large number of products, including many foodstuffs. The licensing regime largely ceased after March 1, 1925, though continued for a time thereafter on tobacco and tobacco products, chocolate and substitutes therefor. (For certain manufactures, however, it has continued in effect up to the present time). Further protection was accorded by a series of ordinances beginning on April 1, 1923, whereby an ad valorem turn-over tax was levied each time goods changed hands in the course of trade. This tax on imported goods was collected by the customs authorities as an addition to the import duty.

1. Tariffs - On March 18, 1926, the Austrian Government was granted authority to amend the "general" rates of the tariff by decree whenever Austrian producers were seriously menanced by imports. Since that time there have been several upward revisions of the"general" rates, partly for protection and partly with the object of strengthening the hands of the Austrian negotiators in securing for Austria reductions in the tariffs of neighboring countries. The latest revision of this character was made on July 28, 1931. Austria has negotiated special commercial treaties with Czechoslovakia, Hungary, Yugoslavia, Rumania, and other countries, by the terms of which Austria admits imports of specified farm products at reduced rates of duty contingent upon similar treatment for Austrian manufactures in the countries with whom she has concluded treaties. Such restrictions are, of course, a mitigation of Austria's "general" tariff rates. Nevertheless, the basic trend of her tariff rates on agricultural as well as on other products has been upward.

Most of the tariff increases in Austria in the past year and a half have grown out of the new commercial treaties between Austria on the one hand and Hungary, Yugoslavia, and Czechoslovakia on the other, which became provisionally effective on July 28, 1931. These treaties increased the conventional rates granted under the expired treaties on a long list of agricultural and manufactured products. The following illustrations will suffice to suggest the recent trend in tariffs. The conventional duty on wheat and rye was increased on July 28, 1931, from 2 gold crowns to 10 gold crowns per 100 kilos. This was equivalent to an increase of from 11 to 55 cents a bushel on wheat and from 10 to 51 cents a bushel on rye, conversions to American currency having been made at par. At the same time the conventional duty on wheat and rye flour was increased from 5 gold crowns to 23.5 gold crowns per 100 kilos ($0.90 to $4.23 per barrel). The conventional rates are applicable to countries with which Austria has most-favored-nation agreements, including the United States. On February 12, 1932, the conventional duty on wheat was increased to 11 gold crowns per 100 kilos. ($0.61 per bushel at par) while the duty on rye was reduced to 8 gold crowns per 100 kilos. ($0.41 per bushel). These changes automatically involved an alteration in the rates of duty on flour and milling products. The revised duty on wheat flour, therefore, is 25.50 gold crowns per 100 kilos. ($4.59 per bbl.) and on rye flour 19.50 gold crowns per 100 kilos. ($3.51 per bbl.).

The treaty with Yugoslavia, however, provided for a preferential Austrian import duty on an annual contingent of 50,000 tons of Yugoslav wheat at a rate of duty 3.20 gold crowns per 100 kilos. (17.6 cents per bushel) lower than the duty in force at any time; this provision being subject to approval of the nations that have most-favored-nation agreements with Austria. Since the conventional duty on wheat on February 12, 1932, was increased to 11 gold crowns per 100 kilos. ($0.61 per bu.) the duty on wheat coming in from Yugoslavia under the contingent would amount to 7.80 gold crowns per 100 kilos ($0.43 per bu.). This, however, still leaves the preferential rate on contingent wheat from Yugoslavia considerably higher than the conventional rate in effect prior to July 28, 1931.

Another example of recent upward revisions in the tariff is afforded by the increase on pork and pork products. Thus, for example, the conventional duty on salted bacon on July 28, 1931, was increased from 10 gold crowns per 100 kilos ($0.92 per 100 lbs.) to 22 gold crowns per 100 kilos ($2.02 per 100 lbs.). On the same date the conventional duty on lard was increased from 10 gold crowns to 30 gold crowns per 100 kilos ($0.92 to $2.76 per 100 lbs.) and on breakfast bacon from 45.5 gold crowns to 80 gold crowns per 100 kilos ($4.18 to $7.35 per 100 lbs.). The conventional rates on a considerable number of fruits and vegetables, livestock, and eggs were also materially increased at the same time.

A decree of October 20, 1931, increased the import duty on cattle from 30 to 45 gold crowns per 100 kilos ($2.76 to $4.14 per 100 pounds). The Austrian tariff act provides that the duty on cattle can be reduced when the average price of cattle for slaughter on the Vienna market rises above 1.50 schillings per kilo (9.57¢ per lb.) live weight, and when this increase in price is not temporary in character. In this connection it should also be noted that the Austrian tariff act also contains a provision authorizing the Minister of Finance to reduce the general rates of duty on lard from 30 to 10 gold crowns per 100 kilos (2.76¢ to 0.92¢ per lb.) if, and as long as, the wholesale price for lard of the best quality, in barrels, c.o.d. Vienna, rises to above 230 schillings per 100 kilos ($14.68 per 100 pounds) on the Vienna market, temporary fluctuations excepted. A decree of October 24, 1931, reduced the general import duty on lard (which, in the case of lard, is also the conventional rate) from 30 to 10 gold crowns per 100 kilos (from 2.76¢ to 0.92¢ per lb.), while another decree of January 15, 1932, reinstated the duty to 30 gold crowns per 100 kilos (2.76¢ per lbs.).

2. <u>Import licenses</u> - On July 17, 1931, a law was enacted authorizing the government to restrict by means of special import licenses imports from countries with which Austria has no commercial treaties. The law provides that such import permits will not be refused with regard to importation of the necessities of life if the country from which such products are to be imported is actually importing products of Austrian origin of the same value.

3. <u>Import certificates</u> - In order to facilitate exportation of certain Austrian agricultural products from some parts of the country, Austria employed for a time the import certificate system known as the "Einfuhrschein" (measure adopted on September 27, 1929). The use of im-

port certificates was authorized in connection with the exportation from Austria of wheat, rye, barley, oats, cattle, horses, butter and cheese. Under this system the certificates could be used for the payment of duty on similar goods imported into Austria. This system was discontinued on April 30, 1931.

4. Import quotas - Effective April 30, 1932, the Austrian Government introduced a system of import quotas, implying the limitation of the imports from individual countries in accordance with Austria's needs. It is reported that this step is generally considered as an admission that the exchange restrictions, in force since October 9, 1931, have failed to bring the desired reduction in Austrian imports, and that a continuance of the present trade deficit would be disastrous to the country. It is expected that the intended import quotas will principally affect manufactured and finished products, and to a lesser degree raw materials and agricultural products. Among the products for which such quotas have been established are cattle, hogs, poultry, wine, butter, cheese, edible fats, and canned fruits.

5. Special agricultural relief fund; grain-sowing premiums and other relief measures, 1930-31. - While not entirely of a directly price-influencing nature, a law enacted in 1930 is of special interest as an illustration of official attempts in Austria to improve the status of farmers. An enabling act dated July 16, 1930, authorized the Federal Ministry of Agriculture and Forestry to grant premiums for the cultivation of grain and to assist the millers and mountain farmers. In order to establish a fund for that purpose this law increased the consumption tax on beer and on sugar. It was estimated that the revenue from the increased beer and sugar tax would amount to 96 million schillings ($13,507,200) annually. The enabling act stipulated that the measure adopted under that act would be temporary and would remain in operation only until December 31, 1931.

In accordance with the authority granted in this law the Federal Government issued a decree on October 9, 1930, outlining the manner and extent of the special measures to be taken for the relief of agricultural distress. This decree provided that the total sum available for that purpose would amount to 96 million schillings ($13,507,200) and that this amount would be distributed as follows: (a) for sowing premiums on grain cultivation, 77.4 million schillings ($10,890,000); (b) for assistance to domestic mills 6.5 million schillings ($914,550); (c) for special relief to Alpine peasants 12.1 million schillings ($1,702,470).

The sum destined for sowing premiums was made available in two equal installments in October 1930 and in April 1931. The remittances were distributed over the individual provinces in proportion to the actual area of wheat, rye, barley and oats cultivated in 1929-30. The exact amount of the cultivation premium paid to individual farmers was based on the area of the crop they had actually cultivated in the autumn of 1929 and the spring of 1930.

The sum allotted for assistance to domestic mills was distributed in proportion to the turnover-tax liabilities of the mills for the period July 1, 1929, to June 30, 1930, in so far as those liabilities arose from the milling of wheat, rye and barley. The sums due to individual enterprises were paid in two installments, the first by December 15, 1930, and the second by June 1, 1931. The law provided that the remittance of the second installment could be made dependent on the purchase by the mills of certain quantities of domestic wheat and rye.

The sum destined for the relief of peasants in the Alpine district was also paid in two installments, one in October 1930 and the other in April 1931. The total sum available for this purpose was distributed to the Agricultural and Forestry Corporations of each province. These corporations had to use the money in the promotion of the production and sale of the products of Alpine peasants. The following projects were mentioned in the law as specially deserving of such financial assistance: (a) Promotion and improvement of trade organizations, particularly of cattle trade organizations; (b) maintaining the price of swine; (c) promoting the building of stables and the establishment of manure deposits; (d) cheapening the prices of feeds; (e) improvement of agricultural transportation facilities.

6. <u>Concealed export premiums</u> - A new development in economic rapprochement was embodied in the treaty of June 19, 1931, worked out between Austria and Hungary, which provided an arrangement to facilitate the exchange of goods between the two countries. The arrangement was initiated under Austrian auspices and is accordingly discussed here. However, from the standpoint of agricultural export aids, the application by Hungary is the more significant, and brief reference to it will be found under "Hungary."

The outstanding feature of the arrangement was the provision for extending credit to exporters at a moderate rate in interest which would enable them to sell their goods in the other country at a lower price than competitors from third countries. This credit arrangement was in fact equivalent to an export premium given by each government to their exporters. Of particular significance was the fact that in the several cases where the actual detailed operation of the arrangement was investigated it was revealed that the financial assistance or premium thus granted was exactly equivalent to increases in the tariff duty in the country of importation, so that Austrian exporters to Hungary and vice versa, in the net result, paid only an amount equivalent to the previous lower duty, whereas all other exporters had to pay the new higher duties.

The machinery for paying this export premium was very simple. The Austrian or Hungarian exporter informed the competent authority in his country that he intended to export a certain quantity of goods to the other country and secured a written promise on a blank form that he would receive a credit or a refund on the rate of interest he had to pay for credits. This formula was also used when the export was on a cash basis.

The exporter after having paid the import duty in the importing country, presented a written receipt and duplicate bill of lading to the competent authority and received immediate cash payment of the amount due to him under the regulations.

The treaty was originally prepared with the idea that it would form a model for other treaties to be concluded in the future by Austria with other countries. At the end of 1931 it was officially reported, however, that the operation of these provisions of the Austria-Hungarian commercial treaty had been practically nullified by the currency restriction subsequently enacted in both countries, so that the agreement is at present significant only as an illustration of one means by which most-favored-nation treaty obligations have been circumvented in commercial treaties affecting trade in agricultural products.

BELGIUM

Government intervention in support of prices of farm products in Belgium has been confined mainly to the levying of tariffs on agricultural products. Other measures include government encouragement of a semi-private system of wheat milling quotas and price-fixing; a government subsidy for cultivation of new areas; and restriction of exports of sugar under the international sugar agreement (Chadbourne Plan). Adoption of a compulsory milling quota and the control of hop imports through a system of import licenses have also been under consideration.

1. Tariffs - A thickly-populated industrial country, Belgium has not historically maintained high duties on imports of agricultural products and has been known as a low-tariff country. Before the War she was regarded as a "free trade" country, though she imposed duties on both manufactured and agricultural products. Since the War, however, her tariff has been increased, and on many agricultural products, including even products not grown in Belgium, the Belgian tariff now contains substantial duties. Moreover, the rates on many agricultural products have been materially increased in recent months. Thus on November 27 and 28, 1931, the duties were increased on leaf and manufactured tobacco, livestock, meats, margarine, artificial lard, and other butter substitutes, fresh and salted butter, oranges, lemons and bananas. Moreover, by a law dated March 23, effective March 27, 1932, a horizontal increase of 15 per cent of the existing rates was made on all customs duties, excise taxes and special consumption taxes and an increase of 10 per cent on all sales and luxury taxes. The increases in the customs duties, however, were not to apply to tariffs fixed by commercial treaties, or to leaf tobacco and tobacco products, sugar, canned and powdered milk, and a list of specified manufactured products. On April 1, 1932, increases also became effective in the duties on preserved meats.

The duties in effect on March 1, 1932, on a number of the above-mentioned agricultural products were as follows (conversions to American currency being made at par): unmanufactured tobacco, not stemmed and stemmed,

350 and 650 francs per 100 kilos ($4.41 and $8.20 per 100 pounds, respectively); live cattle, except heifers, 50 francs per 100 kilos ($0.63 per 100 pounds); live heifers, 75 francs per 100 kilos ($0.95 per 100 pounds); frozen beef, mutton and pork, 75 francs per 100 kilos ($0.95 per 100 pounds); chilled beef, mutton and pork, 105 francs per 100 kilos ($1.32 per 100 pounds); margarine, artificial lard and other butter substitutes, 60 francs per 100 kilos ($0.76 per 100 pounds); fresh and salted butter, 140 francs per 100 kilos ($1.77 per 100 pounds); oranges and lemons 25 francs per 100 kilos ($0.32 per 100 pounds). The above duties do not include the 15 per cent increase provided for in the law of March 27, 1932. New duties on apples are to become effective as soon as the commercial treaty with New Zealand goes into effect. The present (June 1, 1932) duties on apples are as follows: (a) fresh apples in cases, boxes, baskets or other packages weighing 20 kilos (44 pounds) or less, 172.50 francs per 100 kilos net ($2.18 per 100 pounds); (b) fresh apples imported in bulk, 3.45 francs per 100 kilos gross ($0.04 per 100 pounds); (c) imported otherwise, 5.75 francs per 100 kilos gross ($0.07 per 100 pounds). If and when the New Zealand treaty goes into effect, the apple duties will be as follows: under (a) above, the duty will be reduced to 45 francs per 100 kilos net ($0.57 per 100 pounds); under (b), it will be increased to 9 francs per 100 kilos gross ($0.11 per 100 pounds); under (c), it will be increased to 25 francs per 100 kilos gross ($0.32 per 100 pounds). The above duties on apples include the recent 15 per cent increase in the duties already referred to.

2. Sanitary restrictions on imports - Belgium also enforces quarantine regulations in order to prevent the introduction of phylloxera and the Colorado potato beetle. For example, the importation of grape vines, and all parts of the vines, is prohibited upon authorization by the Minister of Agriculture. The purpose of this embargo is to prevent the introduction of phylloxera. Importation of table grapes is permitted only when packed in containers that permit easy inspection. Wine grapes can be imported only when pressed and shipped in hermetically-sealed casks. The importation of potatoes, tomatoes and egg plants is permitted only when the shipments are accompanied by a certificate affirming that the products come from districts free from the Colorado potato beetle.

3. Quasi-governmental wheat milling quota and price-fixing - Belgium also endeavors to grant special aid to her wheat-growers through the medium of a government-fostered private agreement among millers fixing a minimum percentage of domestic wheat to be used in milling. This arrangement grew out of a meeting held under government auspices during March, 1931, between representatives of producers, flour millers, and the grain trade, for the purpose of considering a requirement that a certain quantity of domestic wheat be mixed with imported wheat for domestic consumption. The Minister of Agriculture announced that he would take steps to give effect to the measure proposed at this meeting. An agreement was reached whereby millers undertook to use at least five per cent domestic wheat in their milling and to purchase this wheat at a minimum price of 100 francs per quintal (76¢ per bushel). This agreement is still in force. Agricultural interests are urging the adoption of a compulsory

mixing law, similar to those in effect in surrounding countries, with suggested minimum percentages of domestic wheat ranging upward as high as 25 per cent. Toward the end of 1931 it was announced that the Government was urging millers to pay 125 francs per quintal (95¢ per bushel) for domestic wheat.

A royal decree of January 20, 1930, provided that the importation and transit of wheat and wheat flour would thenceforth be subject to a special authorization issued by the Minister of Agriculture. This measure was adopted in order to protect domestic producers from the dumping of wheat and flour on the Belgian market by neighboring countries. This decree has subsequently been extended and is still in force at the present time. Permits are required for the importation of wheat, wheat flour, grits, groats, or semolina.

4. Subsidy for new areas cultivated - With a view to increasing farm production, the State has been granting subsidies for new areas cultivated since early in 1931. This subvention amounts to about $3.40 an acre. Moreover, unarable lands made fit for cultivation are exempted from taxes for a period of ten years.

5. Export restriction - Belgium is a participant in the International Sugar Agreement of 1931, providing for restriction of exports on the part of the leading sugar exporting countries. For further details, see Cuba.

6. Control of imported seeds, plants, fertilizers, and animal feeds - A royal decree, dated February 17, 1932, established regulations for the control of the import trade of Belgium in seeds, plants, fertilizers, and animal feeds, effective as of October 20, 1932. In general, the decree provides specific regulations for the labeling of these imported products so as to guarantee that the product conforms in every way to the Belgian standards of grade and quality.

BRAZIL

Governmental support of agricultural prices finds one of its oldest and most familiar illustrations in Brazil's long-established and still prevailing policy of intervention in behalf of her coffee industry. Because of the predominant importance of coffee in her export trade and of the many interesting and suggestive features in the evolution of her present system of intervention, especial emphasis is given here to her attempts to aid this particular branch of her agriculture. But in addition she is now engaged in aggressive efforts to support her sugar industry; she is giving special aid to the cacao industry; she imposes high duties and other import restrictions on many agricultural products; and she has recently concluded a new series of most-favored-nation treaties in the endeavor to facilitate the movement of her exports.

Before describing the foregoing measures, it may be noted briefly that most of Brazil's agricultural production is on an export basis, coffee, chilled and frozen beef, yerba mate, cacao beans, cotton, hides and skins, tobacco, and other agricultural commodities making up about nine-tenths of her export trade. As has been pointed out in connection with other countries, governmental aid measures designed to restrict imports in such cases are only nominal in so far as any price-raising effect is concerned, except where they are used in conjunction with internal trade control, such as the controls applied to coffee, sugar, and perhaps cacao. However, not all of Brazil's agriculture is on an export basis. Wheat and wheat flour are the most important exceptions; but wine and certain fruits and nuts are also imported more or less extensively.

1. Coffee valorization and defense - One of the best-known instances in the whole agricultural field of government intervention for the purpose of raising prices received by the growers is supplied by Brazil's attempts to regulate the price of coffee. Brazil has a quasi-monopolistic position in the world's coffee trade, arising from the fact that she produces two-thirds of the world's supply. The state of Sao Paulo alone produces three-fourths of the Brazilian and half of the world supply, and the port of Santos is in the world's great primary market for coffee.

The history of Brazil's attempts to control coffee prices runs back nearly thirty years. Between 1905 and 1923 the Government engaged in valorization operations on three occasions; and since 1925 it has participated, directly or indirectly, in continuous operations for the so-called "permanent defense" of coffee. In the earlier years it was the Government of the State of Sao Paulo which intervened. But in more recent years both the Governments of other coffee-producing states and the Federal Government have been active as well, the Federal Government being at present the chief agency of control.

The first coffee valorization extended from 1905 to 1918 if one includes the long period consumed in disposing of the supplies purchased in the earlier years. Late in 1905 the State of Sao Paulo adopted a valorization program, after the accumulation of large stocks from earlier heavy crops and the prospect of a bumper crop in 1906 had led to a complete collapse of prices; and in 1906 it began purchasing on a large scale. By 1908 it had bought some 8 million bags, equivalent at that time to almost a whole year's production. By this time, however, the financial resources with which to continue operations had become exhausted. At this juncture a large loan was secured from foreign bankers, subject to control of further proceedings by the bankers in protection of their loans, including guarantees by Sao Paulo to restrict output and exports. In 1914, when the bankers relinquished control, only about 3 million bags remained unsold. Most of this was stored in Germany, where it was seized at the outbreak of the war. Subsequent German reimbursement after the war brought this valorization to a successful close. In the face of adverse conditions, coffee prices had been held fairly steady during the period of purchase from 1905 to 1908. The valorized coffee was ultimately disposed of at prices which were considered quite satisfactory. Including the surtax, the Government is estimated to have made a profit of about $50,000,000 on its operations.

The second valorization, from 1917 to 1920, proved a profitable investment for the Sao Paulo Government. The State bought at low prices in 1917-18 after a heavy crop in 1917 and sold at high prices in 1919, during a year of relative shortage and reviving postwar demand. On this operation the state and federal governments are estimated to have made a total profit of about $20,000,000, nearly 70 per cent on their investment.

The third valorization, from 1921 to 1924, was conducted by the Federal Government of Brazil rather than the State of Sao Paulo. A modification was made in the policy of retaining surpluses. Instead of being stored abroad as it had been theretofore, the coffee was stored in Brazil; and the supplies shipped to the port of Santos were regulated with a view to stabilization of prices. Quite apart from its price-stabilizing features, the third valorization was estimated to have yielded the government profits of 40 per cent on the capital invested.

Meanwhile, in 1922, a federal law had provided for the establishment of a "Permanent Institute for the Defense of Coffee," which was to place the control of coffee marketing in private hands and to develop a permanent, continuous method of control along the lines followed in the third valorization. The burden of storage was to be shifted to the growers, who had been increasing their plantings by about 8 per cent a year since the war and increasing their production along with their plantings. The main objective of the "permanent defense," as stated, was the stabilization of prices through the regulation of supplies coming into the market, particularly into Santos. For various reasons the Federal Government retired from the field soon after the enactment of the federal law creating the new arrangement, and the whole project was taken over by the State of Sao Paulo. Operations under the new scheme began in 1925. New interior warehouses made possible the storage of large quantities in the interior. Coffee stocks could thus be kept less visible than in the earlier years when they were stored chiefly abroad.

Under this new policy, however, large crops from the rapidly expanding industry led to a constantly increasing accumulation of stocks in the interior. Finally, in September, 1929, prices broke and complete collapse followed. From 16 cents a pound in September the price fell to $11\frac{1}{2}$ cents in November. A surplus amounting nearly to a year's production was hanging over the market. In April, 1930, a foreign loan of £20,000,000 by an international banking group initiated a new period of liquidation which is still in progress. The loan was for ten years, with interest at 7 per cent, and was secured by an extra export tax of 3s. a bag (73¢ a bag, or 0.55 of a cent a pound at par) on coffee produced in the Sao Paulo district. The actual proceeds of the loan amounted to about 72.5 million dollars, and the uses to which this sum was to be put were designated as follows: (1) liquidation of the 34 million dollars of previous short-term indebtedness; (2) purchase of 3 million bags withdrawn from market; and (3) continuation of the operations for financing of coffee. Most significant of all, the terms of the loan required the State of Sao Paulo to place future crops on the market currently, permitting it to accumulate

coffee during the life of the loan only at the request of the bankers as further security.

At the end of 1930 Brazil found herself with the equivalent of a year's production in storage at a time when prices had fallen to less than one half the level of the preceding year. Matters had grown steadily worse; and from that time the Federal Government began to assume more active charge of the situation. A federal decree of February 11, 1931, set forth the following defensive measures: (1) The Federal Government would purchase all retained coffee stocks found to be in excess on June 30, 1931, exclusive of the stocks held by the State of Sao Paulo under the terms of the £20,000,000 loan. The number of sacks purchased by the Federal Government later turned out to be 16.5 million, valued at something like 117 million dollars. (2) Entries into the export centers would be admitted "free" only so long as their monthly volume did not exceed one-twenty-fourth of the crop commenced and the crop immediately following. (3) A tax of 1 milreis ($6\frac{1}{2}$¢) a tree per annum was imposed on new plantings other than replacements of worn-out trees, this provision to be in force for five years. (4) A tax in kind on all coffee exports, amounting to 20 per cent, was imposed.

On April 28, 1931, a compact between the coffee-producing States and the Federal Government went into effect. The States agreed each to collect a special tax of 10s. ($2.43) a bag on coffee produced in and shipped out of their respective territories for a period of four years. Proceeds were to be deposited daily to the account of a National Council. This Council consists of six representatives, one from each State and one from the Federal Government, who acts as chairman. The representatives of the three States of Sao Paulo, Minas Geraes, and Rio de Janeiro constitute an Executive Committee. The funds collected by the Council are employed exclusively "in the purchase for elimination of the excess of production and of the actual stocks, for the purpose of balancing supply and demand ...." On June 7, 1931, the burning of coffee was actually begun.

In accordance with the terms of the foregoing agreement, the Federal Government, on May 16, 1931, issued a decree changing the 20 per cent in kind levy to one of 10s. a bag ($2.43 a bag, or 1.8¢ a lb.) on all coffee exported from Brazil during the next four years. It was estimated that the income from this tax would be about 40 million dollars a year. Meanwhile, until the end of 1931, the 3s. tax in Sao Paulo continued to be collected.

This reorganization of the coffee-defense machinery in the spring of 1931 marked the end of the authority of the Sao Paulo Coffee Institute as an independent entity. From that time it was superseded by the National Coffee Council and became for the most part an agency of the latter. The National Council was placed in charge of the collection and disbursement of the 10s. tax; regulation ofshipments of coffee to the ports; and in general the defense of coffee.

Meanwhile, however, the Council was brought increasingly under the domination of the Federal Government. In September, 1931, a new decree effected its complete reorganization. The Council was now compelled to render a monthly account to the Minister of Finance. Most important of all, the Federal representative on the Council was given the power to veto any resolution either of the Council itself or of its Executive Commission which he might deem contraryto the interests of the Federal Government. This action led to a protest about a month later (November 10) from the Council in which it complained that its only functions were those of collecting a tax and destroying wealth.

In December 1931, a new meeting of the Council led to a better understanding with the Federal Government and a considerable expansion of the Council's power. It now enjoys the financial support of the Federal Government and has full responsibility in the matter of coffee purchases. In addition, it is authorized to conduct internal credit operations utilizing as a basis the anticipated export tax returns. The export tax has been increased from 10s. to 15s. a bag (i.e. to \$3.65 a bag, or 2.75¢ a lb. at par), and at the same time the Sao Paulo 3s. tax has been abolished. One third of the 15s. tax goes towards amortization and interest on the £20,000,000 coffee loan (now £18,000,000) to Sao Paulo for which the National Council now becomes responsible. Most of the remainder of the tax goes toward completing the purchase of surplus stocks as of June 30, 1931. Surplus coffee is being destroyed by the Council at a minimum rate of one million bags a month; though of course the coffee pledged against the £20,000,000 loan is left intact. Thus the policy of destruction of new supplies which began in April, 1931, is now being prosecuted with new vigor. At the same time the Council is authorized, at its own discretion, to enter upon an external program of buying operations or other measures to defend the market in the future, the funds of the Bank of Brazil being available for this purpose if needed.

To indicate roughly the position at the close of 1931, approximate figures showing the volume of coffee declared to be in excess, the quantity already destroyed, the quantity purchased, etc., may be cited. The amount to be purchased by the Federal Government by the end of March, 1932, in accordance with the decree of February 11, 1931, was set variously at from 16.5 to 17.9 million bags, the latter figure being the more recent. Of the 17.9 million bags, 11.1 million represented the stock mortgaged to foreign bankers for the £20,000,000 loan contracted by Sao Paulo in April, 1930. An amount of 2.6 million bags was dispensed with by sale and barter to the Hard & Rand Company, and to the Grain Stabilization Corporation of America, leaving about 4.1 million bags to be bought by the National Coffee Council and burned. Up to December 12, 1931, 2.5 million bags had already been destroyed throughout Brazil. In addition to the 4.1 million bags to be paid for by the Council in order to complete its allotted purchase of 17.9 million bags of coffee, the Council was to make two additional purchases of 1.1 million and 1.7 million bags, financing them with special credits. These 2.8 million bags of coffee which were to be purchased at the ports would also be destroyed, bringing the total of coffee destroyed by the end

of March, 1932, up to 9.4 million bags. It is thus clear that control of coffee, far from having been abandoned in the face of recent difficulties, was never a more active preoccupation of the Brazilian Government than it is now.

2. Sugar industry defense and price-fixing - Brazil is not a member of the Chadbourne international sugar agreement although she exports a small amount of sugar each year. Instead of joining the international cartel, she has set up her own stabilization machinery, designed to provide "a reasonable price for the products of (the producers) mills which will guarantee a reasonable remuneration for their efforts and capital, without asking for an artificial valorization to the detriment of the consumer." If necessary, the Ministry of Labor, Industry, and Commerce, upon the recommendation of an advisory Commission for Protection, may alter the basic prices. In its essence, the plan as set forth in a decree of December 10, 1931, places the Ministry of Labor, Industry, and Commerce in control of both the supply and the price of sugar. When quotations at the principal Brazilian sugar market (Rio de Janeiro) fall below a given minimum, stocks are to be exported. When quotations rise above a slightly higher maximum, stocks are to be sold on the domestic market. Under the shelter of a high import duty on sugar, a minimum price can, of course, be maintained by restricting domestic supplies as contemplated. On the other hand, when supplies have been disposed of on the domestic market and quotations still exceed the maximum fixed in the decree, the Government can lower the tariff barrier.

Two organizations are concerned in the sugar operations under the Ministry of Labor, Industry, and Commerce. The actual stabilization operations are in the hands of a bank or banking association which acts under contract as the agent of the government. The price of 39 milreis (paper) a bag at Rio or its equivalent of 30 milreis at the producing centers (3.5 and 2.7 cents a pound, respectively, at par, and 1.9 and 1.5 cents per pound at the average exchange rate for April, 1932) serves as a basis for banking assistance. The bank makes advances up to 70 per cent of this basic price and takes control over the sugar stocks offered as security. The "grinder" is thus assured of about 1.9 cents a pound at par, or about 1 cent a pound at the current rate of exchange as of April, 1932. But the bank is "forbidden to conduct new warranty operations if the market price is maintained above the basis of 39 milreis." It may even sell the sugar that it holds as security, when Rio quotations rise above 39 milreis, and indeed must sell when they rise above 45 milreis (4.1 cents a pound at par; 2.2 cents a pound at current exchange for April). The law provides that the bank may be replaced in the future by an organization "constituted through the cooperation of the millers (grinders) and sugar cane owners under the protection of the Governments of the respective States." This organization is to be "capable of guaranteeing complete protection to the sugar industry."

The other organization concerned with sugar stabilization is the newly created Commission for the Protection of Sugar Production, comprising some 15 members: one from the Brazilian Ministry of Finance; one from

the Ministry of Labor, Industry, and Commerce; one from each of the sugar-producing States, of which there are about a dozen; and one from a bank or banking association to whom the operation of the scheme shall be entrusted. The Protection Commission acts mostly in an advisory capacity, presenting reports to the Ministry of Labor, Industry, and Commerce at stated intervals. It reports quarterly on the sugar situation in general and annually on the transactions involved in the stabilization operations. Its most important functions are to determine the amount of sugar to be exported in order to keep domestic prices at the minimum of 39 milreis a bag at Rio de Janeiro, and to fix a compulsory maximum volume of production for every sugar mill in Brazil. A fine of 20 milreis a bag (1.8 cents a pound at par; or 1 cent a pound at current exchange for April) is provided as a penalty for excess production.

Financial support for the operations of both the bank and the Commission are derived from a tax of 3 milreis a bag (0.27 of a cent a pound at par and 0.15 of a cent at current exchange) levied on all sugar produced by the mills in Brazil.

3. Government intervention in the marketing of cacao - On June 8, 1931, the Cacao Institute of Bahia was established by a decree of that State, designating the Institute as "a society of cooperative character", its capital stock to be owned by the cacao producers. A very important part in the affairs of the Institute is reserved to the Government, at least for the first few years. "The Institute will be under Government supervision. The Board of Directors will include a representative of the Government, who will have the right to oppose any business which in his judgment is inimical to the Institute and would be disastrous to its finances. Until March, 1935, the chairman of the Institute will be appointed by the State Government and the position of financial director will remain unfilled."

The Cacao Institute of Bahia was established primarily to promote better methods in the marketing of cacao, in particular to reduce the costs of marketing and to standardize the export grades. Another important function of the Institute is to extend financial assistance to grower-members, granting both long and short-term credit.

In connection with marketing, the Institute is to "construct and maintain warehouses for the storage of cacao and equipment for the harvesting, sacking, inspection, improvement, classification, and suitable storage of the crop .... These warehouses will constitute official and obligatory markets for the exportation of cacao from the State." On the other hand, the "Institute is strictly forbidden to enter into any transactions of a speculative character, including price fixing, the Directors being personally responsible for any violation of this regution."

The Bahia Institute was established with the informal approval of the Brazilian Federal Government. A loan of 10,000 contos of reis ($1,196,000 at par and $654,000 at current exchange as of April, 1932) was extended to the Institute by the Bank of Brazil. This credit was

followed in March, 1932, by one amounting to 25,000 contos ($2,990,000 at par and $1,635,000 at exchange as of April, 1932) granted by the Federal Bank of Economics (Caixa Economica Federal). The new loan bears interest at 6 per cent and is payable in ten years. The Institute of Cacao has guaranteed this loan by an export tax amounting to $2\frac{1}{2}$ milreis per bag (0.23 of a cent a pound at par, and 0.12 of a cent at exchange as of April, 1932). Part of the new loan is to be used to redeem the earlier one.

4. Import restrictions - Brazil maintains high duties on both industrial and agricultural products, an embargo on wheat flour, and some other restrictions tending to impede free importation. The restrictions on the importation of wheat and wheat flour are important, since wheat is one of the leading crops of Brazil. On wheat a duty is imposed amounting to 56 reis paper per kilo (18¢ a bushel at par and 10¢ a bushel at exchange as of April, 1932). On wheat flour a complete embargo has been declared for a period of 18 months beginning in August, 1931, and ending in February, 1933. The embargo on flour was declared when the Brazilian Government disposed of a quantity of coffee by barter with the American Federal Farm Board, receiving in exchange 25 million bushels of wheat. Wine (as an outlet for the domestic grape industry) is a product both produced in Brazil and imported in quantity. The duties on wine range from 222 reis gold or 1.15 milreis paper per kilo (6.2¢ per lb. at par and 3.4¢ at exchange as of April, 1932) on wines of 14 degree alcoholic content to 1.6 milreis gold or 8.34 milreis paper per kilo (45.2¢ per lb. at par and 24.7¢ at exchange as of April, 1932) on champagne.

Since September 10, 1931, duties have been payable in gold, or else in an equivalent number of paper reis arrived at by multiplying the declared duty by an officially assigned ratio. In April, 1932, the ratio of paper to gold reis for duty purposes was 8.022 to 1. In addition to the regular import duties a port improvement tax amounting to 2 per cent in gold is levied on imports into Brazil.

In December, 1931, the general structure of the Brazilian tariff was changed from a single column to a double column system. In place of a single rate on each item applying to all imports regardless of origin, the new system specifies a minimum rate to apply to imports from countries having commercial treaties with Brazil and a maximum rate to apply to other imports. Nominally both minimum and maximum rates are the same as those of the former single column, but actually the maximum rates are about one-fourth higher than the minimum. This difference is brought about by the provision that an abatement of 35 per cent is allowed on the payment of the minimum duties while an abatement of but 20 per cent is allowed with the maximum. The double column feature of the tariff is of chief significance in the present connection as a medium for the negotiation of commercial agreements with other countries designed to assist Brazilian exports of agricultural and other products (see below).

Brazil also maintains sanitary restrictions which, in addition to serving their major purpose, may also have economic effects. Certificates of origin and health are required for the following, guaranteeing their freedom from disease: potatoes, fresh fruits, chestnuts, seed corn, and seeds of alfalfa and other leguminous plants. The importation of raw cotton or cotton wastes is prohibited, unless each consignment is accompanied by an official document certifying that it has been subjected to the necessary disinfection. The importation of the following is absolutely prohibited: potatoes from Portugal and Spain, and seeds or cuttings of coffee. The following may be imported only by the Government, and only for experimental purposes: cottonseed and seed cotton; sugar cane; slips, fruits, and seeds of cacao.

5. Commercial agreements as an aid to exports - The purpose of the Brazilian Government in instituting the double column tariff (as above) was to have available tariff favors to offer in exchange for preferential entry of her exports into foreign countries. As has already been noted, about nine-tenths of her exports are agricultural. Some six or seven-tenths of her total exports consist of coffee alone. Immediately following the inauguration of the new tariff regime with its maximum rates as described above, several countries opened negotiations with Brazil for most-favored-nation treaties. By April, 1932, commercial treaties were concluded between Brazil and the following nations: Belgium, Canada, Chile, China, Cuba, Czechoslovakia, Denmark, Egypt, Finland, France, Germany, Great Britain, Holland, Hungary, Irish Free State, Italy, Japan, Latvia, Mexico, Norway, Paraguay, Peru, Poland, Portugal, Spain, Sweden, Switzerland, and the United States.

BULGARIA

Measures taken in defense of grain prices have been the outstanding feature of agricultural price-supporting activities of recent date in Bulgaria. These include intervention of the Government in the purchase of wheat and rye at fixed prices, followed by the granting of a complete monopoly to the Government for the purchase and sale of these cereals; participating in the united efforts of the Danubian countries, through preferential tariff negotiations, to secure more favorable foreign outlets for their cereals; and in the case of corn, payment of an export premium. Other measures in aid of Bulgarian agriculture include regulation of sugar beet prices and acreage; aid and intervention in cooperative marketing; and restriction of imports of those agricultural products of which Bulgaria produces less than she consumes.

1. Government price-fixing and monopolistic control of trade in wheat and other cereals - Since February, 1931, the Bulgarian Government has been actively intervening in the grain trade for the purpose of bolstering prices. At that time a Central Grain Purchasing Bureau was established, and this Bureau began purchasing grain at fixed prices, payable partly in cash and partly in taxation credits. Originally no legal monop-

oly of the purchase or sale of cereals was conferred upon the Grain Purchasing Bureau; but on October 12, 1931, a law was enacted granting to it a complete monopoly over the wheat and rye trade. From March until August, 1931, the Grain Purchasing Bureau bought wheat at a price (payable partly in tax credits) equivalent to about 78 cents a bushel. In August the purchase price was reduced to 66 cents, and this latter continued to be the price after the establishment of the monopoly in October. After October 12, having been granted the exclusive right of sale, the Grain Purchasing Bureau also began selling wheat to the domestic mills at a fixed price. This price was set at 78 cents a bushel. Exportation could be carried on either directly by the Bureau or through sales to exporters, the latter being the predominant method; but exporters could secure their wheat only from the Bureau. A more detailed account of the operations of the Bureau before and since the establishment of the monopoly in October, 1931, follows.

(a) <u>The Central Grain Purchasing Bureau and its operations from February to October, 1931</u> - The law establishing the Central Grain Purchasing Bureau was enacted in December, 1930; though the Bureau did not actually begin operations until February, 1931. An Act of December 23, 1930, directed the Council of Ministers to organize the Grain Purchasing Bureau. It was authorized to purchase unlimited quantities of wheat, rye, corn, barley, oats, and millet directly from the producer, using as its agents cooperatives, banks, or merchants who desired to engage in such undertakings. Purchases could be made until June 30, 1931, and could be extended four months beyond that time upon the approval of the Council of Ministers. The grain could be exported by the Bureau's agencies, sold to merchants for export, or sold to grain dealers or millers for home consumption. When the Bureau found it necessary to store wheat or rye, it could fix the rents of existing warehouses if rents charged by owners of such establishments were too high. The Bureau was financed to the extent of 40,000,000 leva ($288,000) by loans secured from the Bulgarian Agricultural Bank and the Bulgarian Cooperative Bank, and was exempt from payment of taxes and stamp-duties in its purchases and sales of cereals.

Although the Bureau was not granted a monopoly in the handling of the cereals mentioned above, and any other agency or individual could continue to deal in them, it was authorized to pay prices higher than those prevailing in foreign markets. These prices, together with the quantity to be bought, the conditions of sale, commissions to various intermediaries, etc., were determined by the Director of the Bureau acting with a Bureau Council consisting of representatives of the Council of Ministers, of the Agricultural, the National and the Central Cooperative Banks, of the Chambers of Commerce, and of the grain exchanges. If millers and flour merchants sold flour at prices which did not correspond with the prices of cereals at interior markets, then the Bureau could fix the prices of the various grades of flour. If millers did not maintain these prices, the Bureau then had the power to appoint a supervisor over offending mills or to close them. The Bureau could also determine both the grade of flour to be milled and the price at which it was to be sold and could even compel local mills to grind low quality wheat held by it and to sell the flour at prices fixed by the Bureau.

From February to August, 1931, the Bureau maintained the following schedule of basic prices for purchasing grain from the peasants: wheat, 60 pounds per bushel, 4 leva per kilo (78 cents a bushel, at par); rye, 56.7 pounds per bushel, 3 leva per kilo (56 cents a bushel); barley, Northern Bulgaria, 50.4 pounds per bushel, and Southern Bulgaria, 58 pounds per bushel, 3 leva per kilo (49 cents and 57 cents a bushel); oats, 34 pounds per bushel, 3 leva per kilo (33 cents a bushel); millet, 58 pounds per bushel, 3.5 leva per kilo (66 cents a bushel); and corn, 16.4 per cent moisture content, 3 leva per kilo (55 cents a bushel). Various standards as to cleanliness, soundness, freedom from foreign matter, etc., were specified. All of the prices applied to grain delivered at Varna or Bourgas, the two most important exporting points of the country. Up to July 15, 1931, while the 1930 crop was being marketed, the basic qualities were slightly lower than those specified here.

The prices paid by the Grain Purchasing Bureau were not, however, cash prices. During the 1930-31 marketing year, only 50 per cent of the payment for wheat and only 25 per cent of the payment for other cereals was to be made in cash, the rest being in the form of special bonds and coins tenderable only in payment of land taxes and good until September, 1931. After July 15, 1931, however, the cash ratios were increased, 70 per cent of the payment for wheat and 50 per cent of the payment for other grains being made in cash.

After August 11, 1931, prices were reduced in order to accord better with diminished world prices. A new schedule published on that date gave the following basic prices for the same qualities specified above (except for wheat, specifying 59 instead of 60 pounds per bushel); wheat, 3.4 leva per kilo (66 cents a bushel, at par); rye, 2.6 leva per kilo (48 cents a bushel); barley, 2.6 leva per kilo (43 cents and 49 cents a bushel), for Northern and Southern Bulgaria, respectively; oats, 2.6 leva per kilo (29 cents a bushel); millet, 2.8 leva per kilo (53 cents a bushel); and corn, 2.6 leva per kilo (48 cents a bushel).

The prices paid the growers by the Bureau were from the beginning well above the world market parity, with the result that the quantity of grain from the 1930 crop marketed through the Bureau turned out to be distinctly larger than had originally been anticipated. An estimate of the results of the Bureau's operations discloses that from February to June, 1931, the Bureau purchased approximately 9.4 million bushels of cereals. Of this amount some 9 million bushels were sold for export, about 100,000 bushels were sold for home consumption, and perhaps 300,000 bushels were carried over into the marketing year 1931-32. The total actual cash expended by the Bureau during the period, including payment for grain purchases, bonds redeemed in cash, and all operating expenses, was approximately 460,000,000 leva ($3,312,000). The amount received for sales during the period, including an estimated value for carry-over on July 1, 1931, was approximately 604,000,000 leva ($4,348,800). Thus the net cash gain was 144,000,000 leva ($1,036,800). However, in addition to cash outlay, tax bonds in the amount of 502,000,000 leva ($3,614,400) were issued in part payment for cereal purchases. Approximately 478,000,000 ($3,441,600)

of this amount was turned into the State Treasury by the farmers for taxes, the remaining 24,000,000 ($172,800) being cashed for the account of the Government by the Bulgarian Agricultural Bank.

As to operations since June, 1931, confined chiefly to the 1931-32 crop, information is not so complete; but estimates of the results up to October 19, 1931, disclose that the operations of the Bureau were more costly than in the earlier period. Though the prices paid to the growers were reduced on August 11, the decline in world prices meanwhile was such that the margin of the Bureau's prices over world parity was wider on the whole than it had been during the first part of the year, this being especially true of wheat (which comprised about three-fourths of the total) and of rye. The Bureau received during this period and sold either at home or abroad 1,620,000 quintals of cereals. In terms of wheat, at 60 pounds per bushel, this quantity would be equivalent to 5,952,000 bushels; allowing for the lighter weight per bushel of the other cereals, it would be somewhat greater. These cereals were purchased at a total cost of approximately 533,000,000 leva ($3,837,600), of which 373,000,000 leva ($2,685,600) was paid in cash and 160,000,000 leva ($1,152,000) in tax bonds. The income from the sale of cereals was 306,000,000 leva ($2,203,200), all cereals purchased during the period having been sold. Thus, on operations up to October 19, the Bureau received considerably less from its sales than the cash cost of the cereals it purchased, whereas in the first part of the year it had made a considerable net cash gain.

In the foregoing circumstances it was deemed important that the Bureau should be given a more complete control over the grain trade, hence the establishment of Cereal Monopoly in October.

(b) <u>The Grain Purchasing Bureau after the establishment of the Cereal Monopoly in October, 1931</u> - On October 12 new legislation was enacted setting up a complete governmental monopoly of the grain trade (the Bulgarian Cereal Monopoly), thus making it possible to offset or minimize losses on exported grain and grain products by charging higher prices in the home market. The Grain Purchasing Bureau continued, however, to be the administrative agency through which the Government intervened in the grain trade. The new law made statutory provision for the higher cash ratios in the Bureau's grain purchase prices already enforced by the Bureau since July; extended the purposes for which the tax bonds employed in purchasing cereals could be used; and provided for certain minor changes in the directorship of the Bureau, its revolving fund, and the agencies that it could use in handling cereals.

The monopoly control of cereals provided for in the new law was carried out by the Grain Purchasing Bureau on the basis of a series of orders which were prepared by the Directors of the Bureau and approved by the Bulgarian Council of Ministers. The first of the orders definitely establishing the monopoly control over the wheat and rye trade was issued on October 19, 1931, the rest following immediately thereafter. The orders outlining the monopoly regime gave the Bureau the exclusive right to purchase wheat and rye in the surplus producing districts of the country, and

made it unlawful for flour to be sold unless it was produced from wheat purchased or controlled by the Bureau and ground in mills authorized by the Bureau.

Under the new legislation, the Government continued to purchase wheat with a hectoliter weight of 76 kilos (59 pounds per bushel) and containing no rye or other foreign matter, at 3.4 leva per kilo (67 cents a bushel); and to purchase rye with a hectoliter weight of 73 kilos (56.7 pounds per bushel) and no foreign matter other than wheat, at a price of 2.6 leva per kilo (48 cents a bushel). The same minimum grades of wheat and rye as had previously been acceptable to the Bureau were maintained for a time, but after November 20 the Bureau began to accept grain of much lower qualities. Wheat with a hectoliter weight as low as 70 kilos (54.4 pounds per bushel), and with as much as 45 per cent of rye and 10 per cent of other foreign matter, and rye with a hectoliter weight as low as 68 kilos (52.8 pounds a bushel) and with 20 per cent of wheat and 10 per cent of other foreign matter, became acceptable after that date.

Under the monopoly regime the Bureau had the exclusive right to sell whaat and rye for internal consumption. Such sales in the case of wheat were at first made on the basis of 4 leva per kilo (77 cents a bushel) for wheat with a hectoliter weight of 76 kilos (59 pounds per bushel), 8 per cent of rye, and 3 per cent other foreign matter; but on November 4, this basis was changed to 4 leva per kilo (77 cents a bushel) for wheat weighing 76 kilos per hectoliter, with no rye and no other foreign matter. Rye sales were made on the basis of 3.3 leva per kilo (61 cents a bushel) for rye with a hectoliter weight of 73 kilos and no foreign matter (other than wheat). The sale price adjustments of grain differing in quality from the above standards were made on the same percentage basis as were the purchase price adjustments. In the case of wheat, a price adjustment of 0.4 lev per kilo (7.84 cents a bushel) of 60 pounds was made for each kilo of difference in hectoliter weight or point of difference in foreign matter content, and an adjustment of 0.2 lev per kilo (3.66 cents a bushel of 56 pounds) was made for each point of difference in rye content. Adjustments in the case of rye were 0.33 lev per kilo (6.04 cents a bushel of 56 pounds) for differences in both hectoliter weight and foreign matter content.

All sales of wheat and rye made by the Bureau were to be registered on stock exchanges. Sales for export had to be registered on the stock exchange located at the point where the grain was delivered for export, and the purchaser of the grain was to be required to pay the stock exchange a brokerage fee equal to two per cent of the value of the transaction. All sales for home consumption were to be registered at the Sofia stock exchange, but the brokerage charges obtained for such sales, at a rate of one per cent of the value of the transactions, were to be proportionally distributed among the different stock exchanges of the country.

All mills, bakeries, and grain and flour dealers were required to declare the exact quantities of wheat, rye, and wheat and rye flour that they had on hand when the Monopoly Law went into effect. Committees were appointed by representatives of the Bureau in each community to ascertain the correctness of the declarations, and to prepare detailed reports covering the stocks in each community. Mills were not allowed to operate during this period and all commercial transactions were prohibited until the declaration had been made and verified by a committee.

In all cases where the declared stocks of cereals and flour were destined for sale in any form, the holders of such stocks were required to pay to the Bureau the difference between the purchase price and the established wheat and rye sale prices of the Bureau, or to deliver the cereals, in the case of wheat and rye, to the Bureau at a price equal to the price which they paid for them plus 0.1 lev per kilo in the form of an interest payment to the declarer. In cases where declarers of wheat or rye paid the Bureau the difference between the purchase price of the grain and the sale prices of the Bureau, the declarer was required to have the wheat or rye ground in a mill authorized by the Bureau and under the control of a representative of the Bureau.

When the Monopoly was first established, the purchase prices of the declared stocks and the price differences that were paid to the Bureau were fixed on the basis of data shown in the commercial books of the declarer, or if such records were not available, on the basis of existing market prices. In the case of flour, the difference in price was calculated by assuming that 76 kilos of flour could be produced from 100 kilos of wheat. But in November, 1931, the above ruling in regard to establishing prices was changed by a new order which definitely fixed the prices at which the Bureau would purchase the declared stocks and the price differences that the declarers had to pay in cases where delivery was not made to the Bureau. The established prices at which all declarers except customs mills were required to deliver their wheat and rye to the Bureau were as follows: (1) Purchases for all wheat stocks within the deficit producing regions of the country were to be made on the basis of 3.1 leva per kilo (60 cents a bushel) for wheat weighing 76 kilos per hectoliter (59 pounds per bushel) with no rye, and no other foreign matter; (2) purchases of wheat of the same quality in the surplus-producing areas of the country were to be made at 2.8 leva per kilo (54 cents a bushel of 59 pounds); (3) purchases of rye at any place in the Kingdom were to be made on the basis of 2.0 leva per kilo (37 cents a bushel) for rye weighing 73 kilos per hectoliter (56.7 pounds per bushel) with 3 per cent wheat and 3 per cent foreign matter.

In the case of wheat and rye stocks declared by customs mills (wheat and rye obtained as payment for custom grinding) the purchases were to be made on the basis of the Bureau's established prices for purchases from producers, i.e., 67 cents for 59-pound wheat having no rye and no foreign matter, and 2.6 leva per kilo (48 cents a bushel) for rye weighing 73 kilos per hectoliter (56.7 pounds per bushel) and having no foreign matter other than wheat. In cases where custom mills were permitted to grind for sale, the wheat obtained as payment for custom grinding, they were to pay a price difference of 0.9 per lev per kilo (18 cents a bushel) of 60 pounds. No provision was made for rye in the case of customs mills. It will be recalled that 70 per cent of these prices were paid in cash, and 30 per cent in taxation bonds.

The established price differences that were to be required of declarers other than customs millers in cases where the declarer was to convert his wheat or rye into flour were as follows: (1) For wheat within the deficit producing areas of the country, 0.5 lev per kilo (9.80 cents a bushel) of 60 pounds; (2) for wheat in surplus producing regions, 0.90 lev per kilo (18 cents a bushel of 60 pounds).

The established price differences that were to be required of declarers of flour were as follows: (1) For flour within the deficit producing areas of the country: flour numbers 0, 1, 2, 3 and extra fine flour, 0.6 lev per kilo (20 cents a 100 pounds) and flour numbers 4 and 5, 0.3 lev per kilo (10 cents a 100 pounds); (2) for flour in the surplus producing areas of the country; flour numbers 0,1, 2, 3, and extra fine flour, 1.1 leva per kilo (36 cents a 100 pounds) and flour numbers 4 and 5, 0.5 lev per kilo (16 cents a 100 pounds).

All flour sold by either commercial or customs mills was to be sold in bags containing 60 kilos, labeled in accordance with instructions given by the Bureau and sealed with a lead disk imprinted with the seal of the Bureau. The sale price of flour was not fixed at a definite value, but the Bureau was given power to control and fix prices whenever they did not conform with its sale prices for grain.

The milling industry of the country was brought under the direct control of the Bureau. All the mills were classified as commercial or customs mills. The term commercial mills was applied to all mills that sold flour and purchased grain from, or were controlled by, the Bureau. Such mills were not permitted to do customs grinding except for the Bureau or by its order. All mills that desired to work as customs mills were required to report such intentions to the Bureau within five days from the issuing of the order which provided for the classification of the mills (October 19, 1931), and all mills that did not declare such intentions were to lose the right to be classed as commercial mills. The term customs mills was to include only mills that would be allowed to grind only for the home consumption of individual persons. In special cases customs mills were allowed to produce flour for sale, but in all such cases the approval of the Bureau had to be secured in advance.

The control of commercial mills was to be under the direct supervision of the Bureau, and was to be carried out by means of controllers appointed by the Bureau. One controller was to be appointed for each of the large commercial mills, whereas several small commercial mills in the same vicinity could be placed under one controller. These controllers were to receive their salary directly from the Bureau, the funds necessary for paying the salaries being collected by the Bureau from the mills. These controllers were to remain on duty at the mills, watch the operation and transactions of the mills, and audit the books of the mills.

The control of customs mills by the Bureau was to be carried out through the mayors of the districts in which the mills were located. In cases where individuals wished to have wheat or rye ground at a custom mill, they first had to obtain a permit from the mayor specifying the quantity to be ground. A stub of this permit was retained at the mayor's office, and when the individual had the licensed quantity ground at the customs mill the permit was to be delivered to the miller in exchange for a certificate which stated the quantity that had been ground. The customs millers were also required to keep detailed records showing the permits received and quantities ground, such records being subject to the inspection of the mayor or authorized municipal authorities. After the grain had been ground, the miller was required to accompany the person to whom the permit was issued to the mayor's office and sign the stub of the permit. In special cases when customs mills were permitted to produce flour for sale from the wheat they received as payment for customs grinding, the miller was first to declare to the mayor of his community, the stocks that he wished to grind. Upon receipt of this declaration, the quantity declared had to be verified by the mayor. After verification, the mayor was required to issue a grinding permit to the miller, which was to become valid as soon as the miller paid the Bureau an amount equal to 0.9 lev per kilo, on the stocks of wheat that he wished to grind for sale as flour. (No specification was made in the case of rye). After the 0.9 lev per kilo payment to the Bureau had been made, the mayor was required to request from the Bureau the necessary labels to be placed on the flour produced. These labels were to be delivered to the miller after he had paid for their cost, and the mayor was responsible for reimbursement to the Bureau.

2. <u>Export premium on corn</u> - In connection with its handling of the 1931-32 corn crop the Grain Purchasing Bureau (above discussed) was authorized, until April 1, 1932, to pay an export premium on corn exported by private dealers, and was required to purchase corn from producers when the local price fell below a price equal to the world market price plus the export premium minus shipping and handling charges. Up to March 1, 1932, the premium amounted to 0.5 lev per kilo (about 9 cents a bushel); for the first half of the month of March it was 0.3 lev (5.49 cents a bushel) and for the latter half it was but 0.15 lev (2.74 cents a bushel). The export premium on corn was not to be paid except on corn of standard

commercial quality having a moisture content below 18.6 per cent. Persons who expected to receive premiums on the corn exported were required to obtain an export premium order from the Bureau for the quantity of corn that they intended to export. The corn had to be loaded under the control of customs authorities and representatives of the Bureau, the export premiums being withheld until the corn had definitely been loaded. This measure was reported to have been quite effective in raising internal prices.

3. Government price-fixing and regulation of production and trade in sugar - The sugar beet and beet sugar industry of Bulgaria is subject to direct governmental control. Beet prices, sugar prices, and beet area are regulated by a law which became effective on April 1, 1932. The factories were given until April 5 to sign contracts with the Government fixing beet and sugar prices, beet plantings, and sugar distribution. The price of beets is set at 600 leva per metric ton ($3.92 per short ton). The price of sugar is set at 22 leva per kilo, wholesale (7.18 cents per pound). A specific acreage to be sown to beets is allotted to each factory, as is also a specific quota for inland deliveries of sugar. The total of beet sowings is adjusted so that if normal conditions obtain, the annual sugar output will be about equal to the annual consumption. Imports of sugar are prohibited until the supply of the home-grown product is exhausted. Surplus sugar must be exported by the factories. The new government control replaces a sugar cartel which was dissolved by the Government on March 18, the dissolution making it necessary for factories to sell their sugar individually. The cartel had done the same sort of thing that the Government now is undertaking.

4. Aid to cooperative marketing and intervention by the Agrarian Bank - The Bulgarian Agrarian Bank, a State institution, supplies the finances of the cooperative agricultural societies of the country and acts as their auditing center. The Government exercises a considerable measure of control, through the Bank, over the economic activities of the societies. In the case of at least two commodities, the Agrarian Bank intervenes in marketing. It collects silk cocoons from cooperative societies and sells them on commission through its depots and, according to unofficial sources, actually regulates the volume of output of essence of roses, both of these activities being for the purpose of price maintenance.

5. Import tariff - Although Bulgarian tariff policy is traditionally protectionist in character, but little protection is afforded to agriculture through tariffs, inasmuch as most of the agricultural production is on the basis either of self-sufficiency or of export. The most important agricultural imports are cotton wool, cattle and buffalo hides, olives, and coffee. Rates of duty are as follows: on cotton, 8 per cent ad valorem; on green olives, 12 gold leva per quintal (3.9 cents per 100 pounds); on cattle hides and skins, 20 to 30 leva per quintal (6.5 cents

to 9.8 cents per 100 pound); on hides and skins of other animals, 200 leva per quintal (65 cents per 100 pounds); on coffee, 150 to 200 leva per quintal (49 cents to 65 cents per 100 pounds). These rates are the basic rates and are to be multiplied by an official coefficient, usually 20, for conversion to paper leva. Import duties on most other agricultural products are only nominal inasmuch as Bulgaria is a net exporter of them. The duty on wheat, amounting to about 32 cents a bushel plus an octroi tax of 20 per cent, is important, however, as a necessary adjunct to the maintenance of high internal prices by artificial means, and the same is true in connection with the duties on other cereals which Bulgaria exports. As was noted in section 3, above, the importation of sugar was recently prohibited.

Late in 1931 Bulgaria withdrew a legal provision under which raw materials and semi-manufactures required for native industries, etc. could be imported at a uniform duty of 3 per cent ad valorem, and raised the duties to levels ranging from 8 to 25 per cent ad valorem.

6. Support of the common Danubian policy of securing preferential access to European grain markets - For the past two years or more the four Danubian countries - Bulgaria, Hungary, Rumania, and Yugoslavia - have been endeavoring to gain preferential access to the grain markets of western and central Europe. They have held many conferences among themselves and with nearby countries for the purpose, among others, of furthering a common program for securing such preference; and they have participated in more general international conferences at which the subject of tariff preference has had a place in the discussions. While Bulgaria herself has thus far not (April, 1932) succeeded in negotiating or concluding advantageous arrangements like those secured by Hungary, Rumania, and Yugoslavia (see discussion under these countries), she has to a considerable extent supported their common endeavors. Although not present at some of these conferences, especially at the earlier ones, in general Bulgaria has participated in the aspirations and plans of this Eastern European agricultural bloc. A brief enumeration of the series of international conferences during 1930 and 1931, in which the idea of tariff preference for Danubian cereals has played a more or less important part, will serve to suggest the emphasis which has been placed on this matter by the Danubian countries.

The first of these conferences was held in Bucharest in July, 1930, with only Hungary, Rumania, and Yugoslavia, participating. At this meeting the community of interest among the Danube countries received official recognition and it was agreed that special preferences should be sought by them from the cereal-importing countries of Europe. Another meeting between Rumania and Yugoslavia at Sinaia soon followed (July 30-August 1). It dealt chiefly with a possible customs union between these two countries.

Then came a series of conferences in which Bulgaria, Hungary, Rumania, and Yugoslavia all participated. The four Danubian countries were present at the Warsaw Conference (August 28-30, 1930). These four, together with Poland, made up the cereal-exporting interests, while Czechoslovakia, Estonia,

and Latvia constituted the cereal-importing interests present at the Conference. This conference, called primarily to deal with financial aspects of the agricultural problem, nevertheless gave emphasis to the formation of agreements among the cereal exporting countries. At the meeting of the League Assembly at Geneva in September, 1930, the Eastern European agrarian bloc urged that European importing countries should grant preferential tariffs on agricultural products in favor of the bloc. In the next month (October) the second Bucharest Conference urged that the Governments of the agrarian countries of Europe should take concrete action looking to an agreement among themselves before undertaking external negotiations for preference. At another conference at Belgrade a month later, the four Danubian countries and Poland agreed to recommend to their respective Governments the establishment by March 31, 1931, of national export control boards amongst themselves where such did not already exist, and the establishment by July 1, 1931, of a central control board for the five countries represented. These countries also participated in the second (League) Conference for Concerted Action held at Geneva in November; here a special Economic Committee gave a limited and guarded endorsement to the preferential idea.

The year 1931 opened with a Conference of Agricultural Experts held at Geneva under the auspices of the League. This was attended by Hungary, Rumania, and Yugoslavia from among the Danubian group, as well as by practically all of the important agricultural nations of the world. At this meeting some support was accorded to the principle of parcelling out the grain imports of the European market among the exporting countries. At a third Conference held in Bucharest in February, the entire Eastern European agrarian bloc reaffirmed their common aims and made preparations for the approaching conference to be held in Paris under the auspices of the League Committee of Enquiry for European Union, at which the problem of dealing with the wheat surplus of the Danubian countries was to be considered. At the Paris Conference, at the end of February, the idea of preferential import quotas was once more pressed; as it was again at the Rome Wheat Conference in March-April, held under the auspices of the International Institute of Agriculture, and participated in by most of the wheat importing and exporting countries (though not by the United States). At the Rome Conference the obstacle presented by existing most-favored-nation obligations to the establishment of a system of tariff or quota preferences which favored Danubian grain while discriminating against overseas grain was brought into sharp relief. World-wide cooperation in seeking a solution for the problem of the wheat surplus was emphasized instead, and plans were made for a meeting of the wheat-exporting countries of the world at London a month later. At the London Conference in May (participated in by the United States) the efforts of a majority of the countries present to secure the adoption of a program of international limitation of exports failed to result in an agreement. Consequently, the Danubian countries have since renewed their program for an independent solution and have again turned their efforts toward securing preferential entry for their grain in the markets of continental Europe.

Bulgaria, as already mentioned, has been a less prominent participant in the preferential program than the other three Danubian countries. Moreover, she has achieved less in the way of actual treaty negotiation

to that end. Elsewhere herein, under the discussion of each of the other three Danubian countries, mention is made of the treaties negotiated by them with certain of the grain-deficit countries of Western and Central Europe. In some of these treaties the preferential clauses have not yet (May, 1932) gone into effect owing to opposition from countries whose most-favored-nation rights would be impaired; but in any event they signify the intent of the signatory countries. In the case of Bulgaria, however, no such treaties have even been negotiated; though reservation is made in at least two Danubian treaties (those of Germany with Hungary and Rumania) of the right (on the part of Germany) to extend similar preferences to the other Danubian countries. As further evidence of her cooperation with the Danubian group, it should be noted that Bulgaria, through her central grain marketing organization, has entered into an agreement with the similar organizations of Rumania and Yugoslavia to keep one another informed daily as to their sales prices in order that prices in the three countries shall be maintained at the same level.

CANADA

Aid and encouragement to the farming industry has inevitably been a matter of important concern to the government of Canada for many years, owing to the predominance of agriculture in Canadian economy. Until comparatively recently, however, almost all of this aid had taken the form of measures designed to encourage new and low-cost production and to reduce marketing costs or otherwise facilitate marketing. Aside from tariffs, which could be effective only for a limited range of agricultural products, little was done in the way of adoption of price-bolstering measures. During the last two or three years, however, more direct measures of government support have come into operation. These have been evidenced especially in (1) the direct intervention of the Government in marketing of the wheat crop, including, for 1931-32, a direct bounty to the growers; and (2) a distinct tightening of restrictions on imports of agricultural products. There has also been some further extension of imperial preference in such manner as to be of some incidental advantage to Canadian agriculture; but the securing of preferences on the great staple crops is still a matter rather of negotiation than of actual achievement.

1. <u>Production bounty and other government aid in marketing wheat</u> - A measure authorizing the payment of five cents a bushel for every bushel of wheat grown in the provinces of Alberta, Saskatchewan and Manitoba during 1931, and delivered to any licensed elevator, commission merchant or grain dealer before July 31, 1932, became a law in Canada on August 3, 1931. The law was enacted by the Canadian Parliament in order to give some measure of relief to wheat growers. The Act will expire on July 31, 1932. The regulations have been so drawn as to provide that only the actual grower of the wheat shall receive the bonus.

The law authorizes all persons operating a licensed elevator in the three Prairie Provinces, and all commission merchants, track buyers

or grain dealers, licensed under the Canada Grain Act, to issue bonus certificates on all 1931 crop wheat delivered by the producers in those Provinces. These certificates are to be made out in triplicate by the person issuing them. The original will be issued to the grower, one duplicate will be forwarded to the Board of Grain Commissioners for Canada, and one duplicate will be retained by the person issuing it. The Board of Grain Commissioners for Canada will redeem the bonus certificates out of funds deposited to its credit by the Minister of Finance.

When the producer delivers his wheat he must make a declaration certifying that the quantity of wheat in question was grown by him as owner or tenant during 1931. He must also specify the section, township, and meridian of the land where the wheat was grown. This declaration is made on the back of the bonus certificate. When properly indorsed by the grower and signed by the agent issuing it, the bonus certificate becomes negotiable without charge at any branch of a chartered bank in Canada.

The law also provides that the bonus and the bonus certificate shall not be subject to any garnishment, seizure, attachment or execution by any legal process whatsoever. No person may receive or accept any bonus certificate or the payment of any bonus except the actual grower of the wheat in respect to which the bonus is to be paid. In the event that any dispute arises as to the person entitled to receive the bonus the matter will be settled by the Board of Grain Commissioners after due investigation.

The payment of the bonus is but one manifestation of a trend toward increasing government intervention in the marketing of the wheat crop which had begun after the collapse of wheat prices in 1929. This trend is associated with the system of voluntary pool marketing of wheat which had been established earlier in the Prairie Provinces - a system inaugurated under wholly private auspices but in which the Provincial and Dominion Governments have been compelled to intervene increasingly owing to the critical position wrought by the catastrophic decline of prices.

For some years the wheat farmers of Western Canada have been operating voluntary wheat pools. There are three large pools, one in Saskatchewan, one in Alberta, and one in Manitoba. The three pools jointly maintain a central pool which, however, is merely a sales and intelligence service. Under the pool system a farmer on delivering his grain receives an initial payment. The balance is paid after the pool has disposed of the whole crop and has determined the final price. The purpose of the pooling system is to meet concentrated buying with concentrated selling and, by the elimination of speculative trading, to effect the most direct and the cheapest exchange between producer and consumer. The pool was financed by a joint credit given by the seven chief banks of Canada, on provision that the market value of the grain held by the pool should at all times exceed by 15 per cent the total outstanding indebtedness of the pools to the banks.

The system worked satisfactorily from 1923 to 1929. During that period the pool successfully handled more than a billion bushels of

wheat, distributed more than $1,7[illegible]0,000,000 among pool members, developed a 95,000,000 bushel elevator system, and established a direct export business. The sudden collapse of world commodity prices at the end of 1929 was not, however, foreseen by the pool; and a period of growing adversities set in. The advance payment made to members in the fall of 1929 was one dollar a bushel, but prices fell promptly, and before long were below one dollar a bushel. The pools had borrowed from the banks to make the first payment and found themselves unable to pay it back. To prevent a forced liquidation of the huge store of pool wheat the Provincial Governments guaranteed the bank loans.

This marked the first direct government participation in the activities of the pool. To protect the Provincial Governments, security is held on the assets of the pool and pool elevators. Each of the three provincial wheat pools has an extensive system of elevators which have been mortgaged to the Provincial Governments as security for their obligations. In turn the Provincial Governments have given the banks 20-year bonds bearing interest at $4\frac{1}{2}$ per cent. The pools will make annual payments to the Provincial Governments during the 20-year period until the debt is written off and during the same time the Provinces will retire their bonds held by the banks.

The Dominion Government itself has participated directly in the activities of the Canadian wheat pools since the 1929-30 crop. As negotiations were going on with the Provincial Governments regarding financing the debts contracted as a result of over-payments on the 1929 crop, pressure was being brought to bear upon the Dominion Government to exert its influence in behalf of the pools during 1930 and 1931. As a result of these efforts the Dominion Government agreed to assume the financial responsibility of the pools during the 1930-31 season and appointed a general manager of the Central Selling Agency of the pools. The Dominion Government's guarantee of the advances made by the banks to the wheat pools during the 1930-31 crop year served its purpose without loss to the dominion treasury.

The Dominion Government continued its backing of the wheat pools during the 1931-32 crop year. In the second week of August, 1931, the Prime Minister announced the Government's policy with respect to wheat marketing whereby the Dominion Government was to guarantee the financing of the three provincial wheat pools. This arrangement entailed the discontinuance of the Central Selling Agency as far as the 1931-32 crop was concerned and the adoption of an individual selling policy by each of the provincial pools. The Central Selling Agency remains, but its transactions are limited to those connected with the 1929 and 1930 crops. The pool contract was waived and members were given the choice of selling their wheat on the basis of an initial payment of 35 cents a bushel (grade No. 1, Fort William), or of having it handled by their pool in the same way that it would be handled were it delivered to a private company. In other words, each provincial pool operates its own elevator system, as formerly, but offers a daily cash purchase service to farmers in addition to accepting wheat for pooling. The Dominion Government undertook to support the orderly marketing of all of the wheat held by the Central Selling Agency of the provincial pools; and in addition it adopted the bonus of 5 cents a bushel to which reference has already been made.

In announcing its intentions in connection with pooling operations in 1931-32, the Government explained that: "A complete cut-off has been made from previous years' operations and a settlement arranged as between the pools, the provincial governments and the banks. Members of the pool and farmers generally desiring to do so may therefore patronize the pool elevator facilities with complete assurance that their grain will be dealt with as a separate crop and without in any way being liable for any debts or obligations of past years."

The financial backing of the provincial pools by the Dominion during the 1930-31 and 1931-32 crop years was necessitated by the fact that the assets of the pools, usually pledged against bank advances, were already encumbered through the previous arrangement for paying off the debts contracted during the 1929-30 crop year for which the Provincial Governments had stood as guarantors. The final figures of the liabilities of the three provinces on account of the Wheat Pool guarantees were officially announced, on December 3, 1931, as totaling $22,217,302, of which $3,374,940 was for Manitoba, $13,305,655 for Saskatchewan, and $5,536,707 for Alberta.

2. Import restrictions - Canada has repeatedly increased her tariff duties on both agricultural and industrial products in recent years. Notwithstanding that Canada's agriculture is, generally speaking, on an export basis, she is on an import basis for a considerable range of agricultural products, and the duties which she imposes on some of these products are significant as a means of support for prices in the home market. For example, for the fiscal year ending March 31, 1930, analysis of the figures indicates that she imported, for consumption, from the United States alone, some $118,534,000 worth of agricultural products grown on American farms. Of these, $50,202,000 worth were dutiable, and $68,351,000 worth (including raw cotton) were free. Since that time new items have been added to the dutiable list, so that perhaps half the imports are now dutiable.

A review of the outstanding changes in rates on agricultural products since 1930 will indicate the recent trend with respect to import restrictions. In May, 1930, the most extensive revision of the Canadian tariff since 1907 was accompanied by increased customs charges on fresh, canned, and dried fruits; fresh and canned vegetables; grains and milled products; meats, egg products; and various miscellanies -- altogether a trade of which the aggregate value of the imports from the United States in 1929 amounted to over $29,000,000. This action was followed later in the year by a series of administrative orders still further increasing the duties on agricultural products. On June 2, 1931, another revision of the Canadian tariff, affecting some 180 items out of a total of about 800, went into effect. Among the items on which the duties were increased were a very considerable list of agricultural products, in raw or in processed form: live hogs; fresh, canned and cured meats; eggs, cheese; powdered milk; hops; corn; rice; starches, straw and hay; a varied list of field crop and garden seeds; canned vegetables and fruits of various kinds; prunes; raisins, dates; figs; and oranges.

One of the unique features of Canadian tariff policy in recent years has been the practice, since September 2, 1926, of establishing official valuations on specified commodities, mostly fruits and vegetables, for the assessment of import duties. These official valuations have been used since that time not only as a basis for the collection of the ad valorem rates of import duty fixed by the Canadian tariff act, but also for collecting the duties authorized under the Canadian anti-dumping regulations. In general practice this system has been applied mainly during seasons of the year when Canadian products of the same type are coming on the market. As soon as the Canadian marketing season for such products is ended the fixed valuation scheme is dropped.

The establishment of the official valuations is authorized by Section 47 (A) of the Canadian Customs Act, which provides that whenever it appears to the Governor in Council on a report from the Minister of Customs and Excise that "natural products" of a class produced in Canada are being imported either for sale or on consignment under conditions that injuriously affect the interests of domestic producers, the Governor in Council may authorize the Minister to place a special valuation for duty purposes on such products notwithstanding any other provisions of the Customs Act, and the values thus established shall be held to be the "fair market value". This value is to be used as the basis for assessment of ad valorem and special (dumping) duties.

The above regulation not only enabled the Government to increase the duties by means of establishing fixed valuations for duty-levying purposes, but also under certain conditions to apply a special (or dumping) duty. The Canadian anti-dumping law provides that "if the declared export valuation or selling price to an importer in Canada of articles of a kind produced in Canada is more than 5 per cent less than the fair market value of the article when sold for home consumption in the country of export at the time of exportation, there shall be collected in addition to the regular duties, a special (or dumping) duty equal to the difference between the said declared export valuation and the said fair market value of the article, which assessment, however, shall not be more than 15 per cent ad valorem." Section 47 (a) of the Canadian Customs Act, however, gives the Minister of Customs and Excise the authority to disregard the said "fair market value of the article in the country of origin" and to use instead an officially established valuation as the basis for the assessment of the dumping duty.

Such fixed valuations have been fixed from time to time, but always during the months of the year when similar Canadian products were moving from the farm to the market, for a long list of agricultural products, including such items as fresh tomatoes, cabbage, carrots, cucumbers, parsley, radishes, lettuce, asparagus, rhubarb, onions, potatoes, spinach, cauliflower, celery, beans, peas; live horses, cattle, sheep, hogs, chick-

ens; fresh eggs, frozen eggs, dried, powdered and desiccated eggs; and fresh apples, peaches, pears, apricots, cherries, raspberries, strawberries, cantaloupes, muskmelons, plums and grapes.

The significance of the various increases made in the duties on agricultural products in Canada in recent years varies, of course, among the different items. Some of the increases have applied to products which Canada does not produce at all; others to products of which she produces less than she consumes; and yet others to products of which she produces a large surplus for export. An important item in the general tariff revision of June 2, 1931, from the standpoint of American trade was oranges, which were transferred from the free to the dutiable list. Canada produces no oranges. The same is true of raisins, on which the duties were increased. On the other hand, so great is the home production of some products and so small the imports of others, as, for example, meats, livestock, cheese, etc., that it is doubtful whether the increased rates can much affect home prices. There remains, however, a considerable group of items on which the duties are presumably effective in relation to home-grown products. For example, the duties on various fruits and vegetables, such as carrots, peas, tomatoes, lettuce, cabbage, apples, pears, peaches, strawberries, etc., would tend to raise prices of home-grown products; and the same is true of corn, eggs, some of the various garden and field seeds, and some other products.

3. Imperial preference - Canadian participation in the system of British imperial preference has enabled her to secure but minor preferences in other parts of the Empire for agricultural products which she exports; but with the recent turn in British tariff policy and the approach of the Imperial Economic Conference at Ottawa, there are possibilities that such preferences may be considerably extended during 1932 and thereafter.

Canada has long been sympathetic towards the idea of imperial preference, having been the first of the British possessions to establish a system of preferential tariffs for products coming from other parts of the Empire. This policy, adopted in 1897, was not followed by the other dominions and colonies until several years later, and even then the principal was extended only to imports from the mother country. A resolution adopted at the Colonial Conference in London in 1902 had urged the extension on the part of the overseas parts of the Empire of substantial preferential treatment to the products of the United Kingdom but it did not recommend the extension of this principle between other parts of the Empire. The mother country itself did not subscribe to the principle of according special preferences in the home market to the products of the overseas possessions until 1919. Since that time, however, there has been a gradually increasing application of the imperial preference idea not only between the mother country and the overseas possessions but also between the overseas possessions themselves.

Up to the present time Canadian farm products have not for the most part been involved in the preferences extended to Canada by other parts of the Empire. Until quite recently the mother country has been

definitely hostile to the imposition of import restrictions on essential raw materials and foodstuffs, even though these might be admitted free or at greatly reduced rates from the overseas possessions. And as the other dominions are themselves large exporters of agricultural commodities, they have not been in a position to grant effective preferences on the great staples which comprise the bulk of Canada's agricultural exports. Canada has, to be sure, entered into special treaty arrangements with Australia, New Zealand, and the British West Indies whereby she has been able to secure some special treatment on a few agricultural exports; but in the main these treaties provide for special concessions to Canadian manufactured products in those markets in return for the specially low duties by Canada on imports therefrom consisting in the main of raw materials and agricultural products which Canada is compelled to import.

In the mother country preferences are now extended to a considerable range of agricultural products from other parts of the Empire (see United Kingdom) but most of these are on products which Canada does not export in quantity, if at all. For that reason it can be said that the only Canadian agricultural exports to which tariff preferences in the British market have been effective are tobacco and hops. The British preference on tobacco from Empire sources has indeed been a real stimulus to the Canadian tobacco export industry. In regard to hops, Canadian exporters have also undoubtedly benefited to some extent by the preference granted in the mother country, but the British demand for the type of hops grown in Canada is very limited.

The mother country adopted the principle of special preference to products from her overseas possessions when she granted, on September 1, 1919, a preference of five-sixths of the existing duty on tea, cocoa, coffee, chicory, sugar, glucose, molasses, saccharin, articles containing sugar, dried fruits and tobacco. Wines were given a preference rate of 50 to 70 per cent of the full rate depending on their proof content. Preferences are still being granted on all of these products (except tea on which it is to be resumed with the budgetary proposals for 1932-33 restoring the duty on tea). The amount of the preferences has, however, been altered from time to time since 1919. In July, 1925, a new duty was levied on hops with a preference of one-third of the full duty to hops from Empire sources. With the adoption of a general policy of protection by the British Government late in 1931 and the subsequent enactment of the Horticultural Products (Emergency Duties) Act of December 11, 1931, and of the general tariff act (Import Duties Act) of March 1, 1932, the British preferential policy was greatly extended. Under the Horticultural Products Act the Government levied seasonal duties on a long list of fruits, vegetables, and floricultural products. Imports from British Empire countries, however, were permitted to come in free of duty. Under the Import Duties Act a general tariff was imposed on all imports from sources outside of the Empire, except on merchandise already subject to import duties and on certain items specifically exempted in the Act. Canadian farmers, however, have derived but little benefit from the new preferences granted either under the Horticultural Products or the Import Duties Act, because such important Canadian export staples as wheat, livestock and meats, flaxseed, wool, and hides and skins were left on the free list.

In 1920 a new trade agreement was entered into between Canada and the British West Indies providing for preferential treatment by Canada on imports of West Indian products (mostly agricultural) in return for preferential rates on a long list of articles imported by the British West Indies from Canada. This treaty was superseded by a new agreement dated June 15, 1926. Under this agreement Canada not only secures greatly reduced duties on all exports (other than tobacco, cigars, and cigarettes) to the British West Indies but also special preferential rates on such agricultural products as flour, apples, meats, butter, cheese, lard, potatoes, and condensed milk.

After the establishment of the Canadian preferences to Empire products in 1897, Canada repeatedly attempted to negotiate a reciprocal trade agreement with Australia; but she was not successful until 1925. In that year a limited agreement was drawn up under which Canada received preferences under the Australian tariff for certain of her manufactured products in return for lower Canadian rates to Australia on butter, wine, meat, fresh fruits, sugar, eggs, lard, raisins, currants, and other dried fruits. A new agreement superseding that of 1925 was negotiated in July, 1931. By the terms of this new treaty Canada receives the benefit of the British preferential rates in the Australian tariff on a long list of manufactured products and the benefit of the Australian intermediate rates on another long list of manufactured products. Before the agreement most of the Canadian products shipped to Australia were dutiable under the general rates. In return for these concessions Canada granted to Australia her British preferential or lower rates on a long list of agricultural products. In the case of some products which are important in the export trade of Australia the margin of the Canadian preference as between the British preferential and the general rate was materially widened. Some of the goods in respect of which valuable preferences were conceded by Canada to Australia were raisins and currants, canned fruits, fruit juices, oranges, grapes, wines, fresh and canned meats, sugar, eggs, butter, cheese, and dried prunes, apricots, pears, and peaches. This agreement placed Canada on a parity with the United Kingdom in the Australian market and gave her a substantial advantage over competitive exports from the United States to that market. Canadian farmers derived no benefit from the agreement, however, since Australia grants few, if any, preferential rates on imports of agricultural products.

Canada extended to New Zealand the concessions made to Australia in the original 1925 Canadian-Australian trade agreement. In return for that concession, New Zealand granted Canada the benefit of such British preferential rates as she had adopted, mostly on manufactured goods. When Canada increased her duty on butter in 1930, New Zealand notified Canada that practically all imports of Canadian products would be classified under the general tariff rates. Negotiations were at once initiated for a new Canadian-New Zealand trade agreement. These finally materialized on May 25, 1932. In this treaty, Canada grants New Zealand either the British Preferential or lower rates on a long list of goods (mostly agricultural products) imported from that country, while New Zealand in turn extends to Canada either her British Preferential or lower rates on a long list of goods (mostly manufactured). The only Canadian agricultural products on which New Zealand agrees to extend reduced rates of duty are onions, canned peas, and fresh apples and pears.

Canada anticipates in the near future negotiation of a trade treaty with the Union of South Africa which will no doubt tend to expand the trade between these two countries. At the present time the South African customs tariff grants preferential rebates of duty to Canadian wheat and certain industrial products.

Thus far, therefore, Canadian farmers have not profited greatly from imperial preference as it has been applied in the markets of the mother country or in the other parts of the British Commonwealth. There has, however, been increasing agitation in all parts of the Empire for a greater extension of the preferential idea. Now that the mother country has gone over to the protective policy, the possibility of a much more far-reaching system of preferences in the British market affecting the great staples produced in the Dominions has become distinctly greater. The matter is expected to be brought to a head at the Imperial Conference in Ottawa this summer (1932). Adoption by the United Kingdom of the principle of a guaranteed minimum import quota for Empire-grown wheat is one of the matters that is expected to come up. Extension by the mother country of preferences on other staples, in exchange for additional preferences by the Dominions on British products, is likewise in prospect for consideration at the Conference.

CHILE

Chile in recent years has been attempting to diversify her industries so as to render the country less dependent upon the production and export of nitrate. To this end and also to offset in some measure the effects of the recent marked decline in world prices of agricultural products, she has endeavored by various artificial means to raise her domestic prices. These have included increased tariffs, including the use of sliding scale tariffs; export bounties; and direct price-fixing by means of a central board.

1. Tariffs - Chile has adopted marked increases in tariff duties on agricultural products during the past few years. One of the features of the tariff increases adopted has been the application of the sliding scale principle in respect to certain commodities, whereby the duties are shifted upward or downward in accordance with changes in the domestic price level. The sliding scale system has been applied to wheat since January 1, 1931. On that date a law went into effect establishing a sliding scale, based on the value of Chilean wheat, as follows (conversions to United States currency being made at par): When Chilean wheat is selling at 40 pesos per quintal ($1.32 per bushel), wheat may be free of import duties; when its value is 39 pesos per quintal ($1.29 per bushel) the import duty will be one peso per quintal (3.3¢ per bushel), and this rate of duty will be increased one peso per quintal (3.3¢ per bushel) for each peso per quintal decline in value. In addition the general import surtax of 10 centavos per quintal (0.33¢ per bushel) is added to the above rates. Of the manner in which this restriction of imports is associated with other price-fixing activities of the Government, more will be said below.

The duties on cattle, horses, mules, donkeys, sheep, goats, and hogs are also based on the sliding scale principle. The basic rates on all of

these animals was materially increased on December 19, 1931. The law provides, however, that the rates will be reduced or increased by six pesos (73 cents) per head in accordance with each centavo (0.122¢) of fluctuation below or above the average selling price of cattle on the hoof, in the stock yards of Santiago. The following indicates the extent to which the basic duties on livestock were increased by this order, the former rates being given in parenthesis: Cattle, 120 (90) pesos; horses and mules, 90 (60) pesos; asses, 30 (20) pesos; sheep, 20 (9) pesos; goats, 10 (4) pesos; and hogs, 30 (20) pesos. The Chilean peso is equivalent to $0.1217 in United States currency.

There have also been a large number of other tariff increases. To mention a few that have taken place during the past year: On February 11, 1931, the import duty on flour was increased from 15 to 45 centavos per gross kilo ($1.62 to $4.88 per bbl.). To this must be added the general import surtax of 10 centavos per quintal (1.08¢ per barrel). On May 18 the duty on rice, with or without hull, was raised from 0.10 to 0.20 pesos per gross kilo (0.55¢ to 1.1¢ per lb.). The duties on a long list of other foodstuffs were also increased. At the present time the Chilean Congress is considering further substantial increases in the rates of import duties on a long list of articles, including agricultural products.

2. Price-fixing by Agricultural Export Board - As a result of the low prices prevailing for agricultural products in Chile the Government found it necessary, in December 1930, to resort to a system of arbitrary price-fixing with respect to agricultural products. This law was adopted on December 19, 1930, and provided for the establishment of an Agricultural Export Board authorized to issue regulations designed to bolster and maintain agricultural prices in the domestic market. This Board was also authorized to grant premiums, subsidies and bounties for the purpose of encouraging agricultural exports.

One of the primary objects of the law establishing the Agricultural Export Board was to insure that wheat-growers by October 1931 would not receive less than 40 pesos per quintal ($1.32 per bushel) f.o.b. Santiago. This is accomplished by the sliding scale tariff arrangement discussed above (see Tariffs). On January 1, 1931, the Agricultural Export Board, in agreement with the millers' associations, fixed the basic scale of minimum prices to be paid by the millers for domestic wheat at 36.00 pesos per quintal ($1.19 per bushel) for February 1931, with an increase of 0.50 centavos per quintal ($0.016 per bushel) for each succeeding month until the price reached the desired minimum of 40 pesos per quintal ($1.32 per bushel) in October, 1931. Further increases of the price are checked by free admission of imports once the price has reached this point.

The price-fixing powers of the Board are not confined to wheat alone. On the contrary the law provides that the Board shall fix each agricultural season the minimum prices to be received by the producer for all products upon which it decides to pay an export bounty. During 1931, such price-fixing and export bounties were applied to wheat, flour, oats, barley, beans, peas, lentils, fruits and hay. The President of the Republic, by the law of December 19, 1930, is also authorized to determine the relation that should exist between the prices of agricultural products and their derivatives and to fix the relation between the wholesale and retail selling prices.

3. Export bounties - As already stated, the Agricultural Export Board was authorized to encourage exportation of farm products by the payment of bounties. The regulations governing the payment of bonuses on exports provide that the Board will determine the products upon which an export bonus will be paid and the amounts of those products which can be exported. The law provides for three classes of bonuses, as follows:

(a) A fixed bonus for a definite period of time to be used preferably for the exportation of wine and malt. The Board reserves the right to modify the amount of the bonus agreed upon for these products in cases where the purchaser does not pay the producer the normal domestic price.

(b) Variable bonuses designed to cover, in each particular case, the difference between the domestic market price and international quotations. In connection with this class of bonus the Board fixes each year the minimum prices to be received by the producer. Such bonuses are paid on the following products: wheat, flour, oats, barley, beans, peas, lentils, fruit and hay. The Board is authorized to increase or decrease the number of products affected by these bonuses.

(c) The Board is authorized to encourage through special bonuses the making of trial shipments of agricultural products to new markets.

CUBA

Agricultural price maintenance measures in Cuba are for the most part associated with her great sugar industry. Cuba has made strenuous efforts in recent years to revive the price of sugar, for her prosperity is largely dependent on the price of sugar. At the same time, partly for the purpose of encouraging diversification in her agriculture, Cuba has made extensive increases in the import duties on agricultural products. Other measures of recent date include a decree requiring the use of home-grown yucca flour in bread and other bakery products, and another decree fixing the minimum price to be paid to dairy farmers for milk.

1. Aid to the sugar industry - Because of the overwhelming predominance of sugar in Cuban national economy, most of the discussion of Cuba will deal with that product. Attention will be confined in the main to the efforts in recent years, first on the part of Cuba alone and later in conjunction with other sugar exporting countries, to restrict production and exports of sugar and thus to bring about a recovery of prices. Before entering upon the main discussion, however, brief reference should be made to at least one other measure designed, among other things, to assist Cuba's sugar industry, namely, the Cuban Reciprocity Treaty with the United States.

(a) Tariff preference in the United States market - By the Cuban Reciprocity Treaty with the United States, which has been in effect since 1902, imports of sugar and other products from Cuba into the United States

are granted a tariff preference of 20 per cent of the full duty rates in return for preferences, mostly 20 per cent but ranging upward as high as 40 per cent, on all dutiable imports from the United States into Cuba. From the standpoint of its significance as an aid to the Cuban sugar industry the tendency of the Reciprocity Treaty, obviously, is to give to Cuba a virtual monopoly of the United States imports of sugar coming from foreign countries. In the earlier years under the treaty, Cuba did not actually possess such a monopoly, considerable quantities being imported from other countries at the full duty rates. Under such conditions most of the benefit of the preference went to the Cuban producers, and this was undoubtedly one of the factors tending to stimulate the rapid expansion of the Cuban industry.

Eventually, however, the Cuban output became so large as to enable her not only to supply the whole of the United States imports but in addition to compel her to seek other foreign outlets where she enjoyed no tariff preference. From that time on, the advantages derived from the American preference greatly diminished. The United States tariff on sugar is now adjusted with reference to Cuba, the Cuban preferential duty being the basic rate considered in determining the measure of protection to be accorded to the domestic industry. Such advantage as accrues to the Cuban industry under the Reciprocity Treaty appears, therefore, now to be confined to whatever added assurance the Treaty gives to Cuba of a continued monopoly of such import trade into the United States as is permitted to prevail under the existing American tariff policy with reference to sugar. (For further details concerning this matter, see the United States Tariff Commission, "The Effects of the Cuban Reciprocity Treaty of 1902," published in 1929. See also, Wright, Philip G., "The Cuban Situation And Our Treaty Relations," published by the Brookings Institution, 1931).

(b) Restriction of exports and production - Cuba is a party to the International Sugar Agreement, or five-year Chadbourne Plan, entered into in May, 1931, by the principal sugar exporting countries of the world for the purpose of restricting the exportation of sugar. Even before that time, however, Cuba had engaged in activities for regulating the supply of sugar, and preliminary reference should be made to them. In the crop season 1925-26, the Cuban Government restricted the beginning of the grinding season to January 15. In 1926-27, the beginning of the grinding season was advanced to January 1, and for the first time a restriction was applied limiting the size of the crop. The law of May 3, 1926, provided for a 10 per cent reduction of the crop then being harvested. The crop was at first officially estimated at 5,200,000 long tons (5,824,000 short tons), but a crop somewhat larger than that contemplated resulted, for considerable sugar had been milled before the law became effective. The same law empowered the President of Cuba to restrict the crops of 1927 and 1928, and to forbid any grinding before a specific date to be announced each season for the several grinding areas. For the 1927 crop, the announcement of September 21, 1926, set January 1, 1927, as the date for beginning grinding. On December 10, 1926, a presidential decree set 4,500,000 long tons (5,040,000 short tons) as the 1927 maximum crop.

In preparation for the 1928 crop, the Sugar Defense Law of October 4, 1927 was passed. The law was to remain in force for the period 1928 to 1933. It provided, first, for the appointment of a National Commission for

the Defense of Cuban Sugar, consisting of five members to advise the President in the discharge of his duties under the law. Second, it provided that after the Defense Commission had prepared estimates of the quantity of Cuban sugar required by Cuba herself, by the United States, and by the rest of the world, the President would fix the total amount of the Cuban crop, and its due proportional distribution under these three headings. The President was also empowered to fix the production quotas for each mill, and any sugar produced in excess of the quota was made subject to a tax of $20 per bag; at the same time he would fix for each mill the percentage of its quota which might be exported to the United States. Third, the new law provided for the appointment of a Cuban Sugar Export Corporation to market all sugar in excess of the amount allocated to the United States market. The Cuban treasury was to advance $250,000 to provide the working capital for this Export Corporation, and was to be reimbursed by a special tax of one cent per bag produced by the mills, which would thus become the shareholders. Pending this evolution, the National Commission would direct the Corporation's activities. The mills were thus free to market only the percentage of their quota allocated to the United States market; the remainder was to be dealt with by the Export Corporation. Finally, the President was empowered to transfer to the Export Corporation a percentage of the unsold stocks held at ports or mills on September 30, 1927, the total not to exceed 150,000 long tons (168,000 short tons).

Grinding of the 1928 crop did not begin until January 15. On January 21 a presidential decree gave effect to the National Commission's decisions in regard to size and distribution of the crop. The crop was limited to a tonnage nearly half a million below that of 1927, and the estimated requirements of the United States were materially increased. That market was expected to absorb all of the stocks remaining from the 1927 crop. Definite figures were set for the Cuban and "outside" allotments. With all of the above outlets provided for, there still remained some 200,000 long tons (224,000 short tons) as a reserve which, if not sold, was to go over into the 1929 season. Furthermore, the National Commission was to make recommendations to the President as to the quotas for each of the mills, and the amounts which they would be entitled to sell freely and which they must deliver to the export Corporation.

All "outside" allotments were disposed of fairly soon, and all of the reserves were gone by early June, 1928, but sales to the United States were disappointing. On the 12th of that month about one-tenth of the United States allotment was transferred to the Export Corporation for sale in Europe. The outcome of the 1928 season, with low prices prevailing despite restricted production, brought a reaction against restriction of the 1929 crop. The only restrictive measure was to prohibit grinding before January 1. By March, lowered prices and disorganized selling fostered the creation by leading sugar companies of the Joint Foreign Sales Syndicate for selling outside Cuba and the United States. Various divisions of activity as between private and official control having proved unsatisfactory, since prices continued to decline, a decree of August 31, 1929, announced the establishment of a single selling agency, the Cooperative Export Agency. The new agency took over, under government supervision, all of the existing stocks in Cuba. A temporary strengthening of prices gave the new agency an auspicious start.

By decree of July 26, 1929, the President appointed the Sugar Export Corporation, which had only been suspended and not dissolved during the year before, to act as the single selling agency pending the organization of the agency on the proposed cooperative basis. It was also provided that the President of the National Commission for the Defense of Sugar should be ex-officio president of the new Cooperative Export Agency. Despite certain official control, the Export Agency was not a state institution such as the Export Corporation had been. With the Agency endeavoring to dispose of 1929 stocks, grinding for the 1930 crop was delayed until January 15. Early 1930 sales were slow as prices declined further, however, and Cuban stocks reached abnormal proportions. The single selling agency brought financial difficulties to many mills, since lack of control over export quotas had a bad effect on their bank credit. After considerable strife between powerful groups within the industry, the Cooperative Export Agency was voted out of existence on April 14, 1930.

Meanwhile in 1927, and again in 1928 and 1929, representatives of the Cuban Government had unsuccessfully endeavored to conclude an international agreement with European sugar producers for the restriction of sugar exports. In 1930-31, however, under the leadership of American interests, new and intensified efforts to conclude such an international agreement eventuated in the adoption on May 9, 1931, of the International Sugar Agreement. Even before this event Cuba led the way to restriction with a decree of January 31, 1931, limiting the sugar crop to 3,497,000 short tons, out of which a maximum of 3,328,000 short tons could be exported, 2,886,000 to the United States and 442,000 to other countries.

<u>The International Sugar Agreement of 1931</u> - On May 9, 1931, at Brussels seven of the most important sugar producing and exporting countries of the world entered into an agreement to limit their exports to specific annual quotas and to set aside from their normal supplies their excess stocks in order to eliminate the surplus. A representative International Sugar Council was established to govern the application of the agreement. The seven original participating countries were Cuba, Java, Germany, Czechoslovakia, Poland, Hungary, and Belgium. Together they produced about 40 per cent of the world's sugar and about 90 per cent of the world's exports sold in the open market. Before the end of 1931 these seven countries were joined by two more, Peru and Yugoslavia.

The object of the Sugar Agreement (also known as the Chadbourne Plan) was to bring about the recovery of the sugar market by gradually eliminating the excess stocks. Besides limiting exports to a specific quota for each country the plan directed each one to dispose annually of a specific amount of sugar, designated as excess supplies. Although the restriction of production was not provided for explicitly, it was agreed that each of the participating countries should so adjust the production of sugar that its output plus the annually disposable part of its surplus would not exceed its domestic consumption plus its assigned export quota. The agreement was effective as of the beginning of the crop year of 1930-31, the sugar-crop year being indicated as follows: for Europe, except Czechoslovakia, September 1 - August 31; for Czechoslovakia, October 1 - September 30; for Cuba and Peru, January 1 - December 31; and for Java, April 1 - March 31.

The sugar export quotas of the various countries under the International Agreement as originally drawn are given in the table immediately following. For Cuba, only the volume of the exports to countries other than the United States was given specifically in the International Agreement. The quota of 2,886,000 short tons to be exportable to the United States was set forth by the Cuban Government in a decree of January 31, 1931, before the signing of the agreement. This amount and also the quotas for Cuban exports to the United States for 1932 to 1935 are estimates based upon the consuming capacity of the United States and Cuba. The individual quotas given in the table for countries other than Cuba are the amounts which were specified in the original agreement.

Sugar export quotas of various countries under the terms of the International Sugar Agreement, 1931 to 1935

Country	1931	1932	1933	1934	1935
	1,000 sh. tons	1,000 sh. tons	1,000 sh. tons	1,000 sh. tons	1,000 sh. tons
Cuba:					
Beginning Jan. 1 -					
To the United States ..	2,886	3,136	3,136	3,136	3,136
To other countries ...	734	902	958	958	958
Total exports from Cuba	3,620	4,038	4,094	4,094	4,094
	1931-32	1932-33	1933-34	1934-35	1935-36
Java:					
Beginning Apr. 1	2,535	2,645	2,756	2,866	2,976
	1930-31	1931-32	1932-33	1933-34	1934-35
Europe:					
Beginning Sept. 1 -					
Czechoslovakia	629	629	629	629	629
Germany	551	386	331	331	331
Poland	340	340	340	340	340
Hungary	93	93	93	93	93
Belgium	33	33	33	33	33
Total Europe	1,646	1,481	1,426	1,426	1,426
Total above countries	7,801	8,164	8,276	8,386	8,496

An increase of 5 per cent in export quotas was to be permitted when the price of sugar f.o.b. Cuba reached 2 cents a pound and maintained that level for 30 days. With a price of $2\frac{1}{4}$ cents an additional $2\frac{1}{2}$ per cent was to be permitted, at the discretion of the International Sugar Council, or a total of $7\frac{1}{2}$ per cent in excess of the original quotas. With a price of $2\frac{1}{2}$ cents a further $2\frac{1}{2}$ per cent, or in all an addition of 10 per cent to the original quotas, was to be permitted.

In case Germany in any year was unable to export her quota, such deficiency up to a given limit was to be allotted to Cuba, Czechoslovakia, Poland, Hungary, and Belgium, to be exported by them during the next year in addition to their normal quotas. The following proportions were to be observed: Cuba, 575/750ths; Czechoslovakia, 96/750ths; Poland, 56/750ths; Hungary, 17/750ths; Belgium, 6/750ths. The maximum total additional amounts which could be exported by the foregoing countries on account of any deficiency in the German exports were in any case not to exceed the following figures (year beginning September 1): in 1931-32, a total of 331,000 short tons on account of the 1930-31 deficiency; in 1932-33, a total of 165,000 short tons; and in the remaining three years, totals of 110,000 short tons each year.

The manner in which the surplus stocks were to be eliminated was also given in some detail in the International Agreement. Surpluses in the various countries were declared as consisting of the following amounts: Cuba, 1,456,000 short tons; Java, 551,000 short tons; Germany, 93,000 tons; Czechoslovakia, 10,000 tons; Poland, 88,000 tons; Hungary, 18,000 tons; and Belgium, 32,000 tons. The segregated stocks in Cuba were to be reduced at the rate of about 292,000 short tons a year. For Java and the European countries it was provided that the gradual working off of the surplus stocks should be in four annual installments beginning with the stocks on hand as of April 1, 1932, in the case of Java and those on hand as of September 1, 1931, in the case of the European countries (excepting Czechoslovakia, where the date fixed was October 1).

Cuban participation in the Sugar Agreement - On May 14, 1931, the Cuban Sugar Stabilization Institute was established to represent Cuban participation in the International Sugar Agreement and to control Cuban production and exports of sugar. It has the power, subject to the approval of the President of Cuba, to act for the whole Cuban sugar industry, its signature being binding upon all sugar producers and mill owners. Producers and exporters are each allotted a definite quota, and a heavy fine (10 cents per pound) is levied for any sugar produced or exported in excess of the quota. Penalties are also provided for other acts of interference with the activities of the Institute. The Institute conducts its transactions through the National Sugar Export Corporation (discussed above), which had already been established by earlier legislation. The Corporation is charged with the actual sale and export of Cuban sugar.

Cuba was the first of the members of the International Agreement to achieve a drastic curtailment in production. Her output for 1930-31 amounted to 3,495,000 short tons as against 5,231,000 tons for the previous year, the difference of 1,736,000 short tons representing a decrease of 30 per cent from the output of the previous year.

A decree of March 26, 1932, set the maximum crop for the current year at 3,024,000 short tons plus the amounts already ground by mills up to midnight of April 30 in excess of their new individual quotas. The total amount of sugar to be exported by Cuba was set at about 3,825,000 short tons. The amount for export to the United States was set at a maximum of 2,191,000 short tons of the new crop plus last year's carry-over of about

672,000 short tons. The amount to be exported to Europe was not to exceed 962,000 short tons, composed of 665,000 short tons of the current year's production plus the current annual quota, amounting to about 297,000 short tons, of the previously segregated excess stocks. The amount of 962,000 tons is, of course, greater than the quota originally allotted to Cuba for 1932 by the International Agreement. The additional 60,000 tons is derived from the deficiency in Germany's sugar exports of 1930, as provided in the terms of the Agreement.

The terms of the International Sugar Agreement not only directly limited Cuba's exports but also indirectly limited her production. According to the terms of the Agreement her shipments to countries other than the United States could amount to only 734,000 short tons during 1931. Her shipments to the United States could not very well exceed the amount normally imported in a year; and for 1929 and 1930 this amount had averaged 2,889,000 tons. Cuba's own consumption had averaged about 165,000 short tons during the same period. The total amount of which Cuba might be able to dispose could not be expected materially to exceed the total of these three quantities, namely, about 3,788,000 tons. She had consented in the International Agreement to dispose of 292,000 short tons of segregated excess stocks already produced, and not to permit further accumulation. Thus, by simple subtraction, the estimated maximum of her production in 1931 was about 3,496,000 short tons. This figure is the same as that to which her production in 1931 was in fact limited by the decree of January 31 (1931). Production in other countries participating in the International Agreement was even more definitely limited so far as exports were a factor, for in their case the maximum amount of their entire exports (and not merely the maximum for certain markets) was definitely fixed by the Agreement. Only in case they increased their own internal consumption of sugar by more than the amount of the fixed reduction of their exports would they have been able, under the Agreement, to expand their output.

<u>Results of the first year of the Sugar Agreement</u> - The effect of the Sugar Agreement upon the output of member countries other than Cuba is seen in comparing the production of the 1931-32 season with that of the previous (1930-31) season. The total 1931-32 output of the countries participating is estimated at somewhat less than 10 million short tons as against 12,712,000 short tons reported for 1930-31. The difference of about 3 million short tons represents a decrease of about 23 per cent. Germany shows the greatest decrease, the 1931-32 crop being placed at 1,734,200 short tons as compared with 2,808,076 in the previous season. Czechoslovakia and Poland each report decreases of over 300,000 short tons, while Cuba and Java have each decreased their output by about 500,000 short tons.

Despite the reduction in the world sugar crop attributable to the International Sugar Agreement, the whole situation remained very unsatisfactory. Sugar stocks were unusually high at the end of the 1930-31 sugar season and materially larger than those of a year earlier. Raw sugar prices had reached the lowest levels in 38 years. The accumulation of stocks was reflected in a diminished volume of international trade in sugar. At the end of 1930-31, the first year of the International Sugar Agreement, Belgium was the only country which had exported her entire quota. In the

other countries of Europe which are members of the Agreement, exports had fallen slightly below quotas assigned, and in Germany a balance of 94,384 short tons was left unsold. Cuba and Java fell considerably below their quotas; Java, at the end of the sugar year, still had 837,260 short tons for export, and Cuba had 621,997 short tons. Of the amount left unsold in Cuba, 615,725 short tons was to have been exported to the United States and 6,272 short tons to other countries. The failure to export the full sugar quota resulted in a further accumulation of stocks in these countries.

Modification of the Agreement in 1932 - Although the Agreement has been of some assistance in checking production, and hence a further decline of prices, it has not brought actual improvement to the world sugar market. Notwithstanding that it had been in force for only a year, a modification of its provisions was therefore deemed necessary. A meeting of the International Sugar Council was held in Brussels, February 27, 1932, and another in Paris, March 14 to March 22, 1932, to consider the readjustment of the scheme. As a result of the deliberations, the Council on March 22 issued a statement to the press, as follows: "(1) The Cuban Crop for 1932 has been fixed by the President of the Republic at about 2,700,000 long tons. (2) The European and Peruvian parties to the International Agreement have undertaken to reduce the export quotas fixed for them under the Agreement during the year ending 1st September, 1932, and/or the year ending 1st September 1933 (for Peru the years ending 31st December 1932 and 1933) by any amount by which Java's effective exports during the year 1st April 1932-31st March 1933 exceed 1,500,000 metric tons. The European parties to the Agreement will make a corresponding reduction in their sowings for the current year."

Under the new arrangements the total sum of the exports from the member countries continues to be restricted, although part of the restriction may not be put into effect until 1933. Java may still export the amount originally contemplated for 1932, but any amount over 1,680,000 short tons is to be compensated for by lesser exports on the part of the European countries and Peru. In this connection, it is interesting to note that at a meeting of sugar industrialists in Berlin (May 26) it was predicted that instead of exporting her quota of 386,000 short tons, Germany would export only about 112,000 short tons. Cuba, as noted earlier, has already declared her intention to export much less to the United States during 1932 than was originally contemplated in 1931, although she is going to export to Europe the full amount planned for 1932.

2. Import restrictions - Cuba imposes a wide range of import duties on agricultural products; and in conformity with her recently emphasized policy of fostering diversification in agriculture and thus reducing the hazards of a one-crop economy (sugar), she has adopted marked increases during the past two years.

On May 17, 1930, an executive decree provided for marked increases in the rates on live hogs, sheep, goats, and a long list of meat and dairy products. Thus, on imports from the United States (subject, in most cases, to a preference of 20 per cent) the rates were increased; on live hogs, from \$1.09 to \$3.27 per 100 pounds; on fresh beef and pork, from 2.5 to 3.6 cents per pound; on lard, from 1.45 to 3.3 cents per pound, with a pro-

viso for a surcharge of an additional 10 per cent each year for five years until the total amounts to a 50 per cent increase over the basic rates; on bacon, from 2.2 to 5.4 cents per pound; on smoked hams and shoulders, from 2.9 to 5.8 cents per pound; on butter, from 3.8 to 7.9 cents per pound; on cheese, from 2.2 to 3.3 cents per pound plus 6% ad valorem, and so on. In general, the rates were approximately doubled.

On February 5, 1931, further marked increases in the Cuban duties on a wide range of agricultural products went into effect by executive decree. Applicable to the United States, the increases made in the duties included such items as the following: corn, from 14 to 53 cents per bushel; rye, from 10 to 20 cents; barley, from 9 to 17 cents; oats, from 6 to 12 cents per bushel; hay, from $8.13 to $12.20 per long ton; apples, pears, peaches, plums, cherries, grapes, and similar fruits, from 36 to 54 cents per 100 pounds; melons, from $0.73 to $1.81 per 100 pounds; other fresh fruits, from 36 to 73 cents per 100 pounds; and dried fruits, from $1.09 to $1.45 per 100 pounds. On live hogs, the rate was increased from $3.27 to $4.54 per 100 pounds; on live sheep and goats, from $1.45 to $2.18 per 100 pounds; on fresh beef and mutton, from 3.6 to 5.4 cents per pound; on fresh pork, from 3.6 to 6 cents per pound; on lard, from 3.3 to 4.9 cents per pound; on bacon, from 5.4 to 7.6 cents per pound; smoked hams, from 5.8 to 8.7 cents per pound; on butter, from 8 to 12 cents per pound; and on cheese, from 3.3 cents per pound plus 6% ad valorem to 4.4 cents per pound plus 6% ad valorem.

On such important items as rice (the leading agricultural import) and wheat flour, there were no increases in the duties at this time. But many of the products on which increases were made, notably meats and lard, corn, oats, and certain vegetables and fruits, Cuba imports in very considerable quantities, lard being the second largest agricultural item. Some of these products Cuba either produces, or has possibilities of producing, on a scale sufficient to make increases in the duties of genuine significance as an aid to agricultural production.

On February 5, 1931, the Cuban Government was authorized to increase its sales tax on all imported merchandise from the old base of 1½ cent of the landed value to a new base of 7½ cent. This did not go into effect, however, and on January 13, 1932, a new tax of 10 per cent was authorized. In addition to the sales tax, imports into Cuba are subject to a surtax of 3 per cent. Exemptions from the surtax are granted, however, rice and butter being cases in point.

The Cuban Emergency Tax Law, published January 23, 1932, authorized or effected increases of various duties and excise taxes, increased consular invoice certificate fees (from 2 to 5 per cent, f.o.b., value, port of exportation), and made other fiscal and tax administration charges. On unhulled rice the Cuban President was authorized to increase the duties applicable to the United States from 60 to 90 cents per 100 kilos (27 to 41¢ per 100 lbs.). Rice was exempted from the surtax, but authority was granted to impose a consumption tax of one-half cent a pound by Executive decree. A consumption tax on coffee, and locally authorized sales taxes on raw tobacco (not to exceed 50 cents a bale), were also authorized by the new law.

Effective March 17, 1932, a presidential decree raised the duties on many vegetable and animal oils, The rate applicable to the United States on coconut, peanut, palm, and cottonseed oils was raised from 4 to 8 pesos per 100 kilos ($1.81 to $3.62 per 100 lbs.), while the duty on the same oils refined was increased from 5 to 10 pesos per 100 kilos ($2.27 to $4.54 per 100 lbs.). Furthermore, beginning July 1, an annual surcharge of 10 per cent of the duty on the raw oils is to be added each year for five years, amounting to 50 per cent of the duty at the end of five years. By the same decree, the duty on lard was increased from 10.8 pesos to 18.4 pesos per 100 kilos less a tare allowance of 12 per cent of gross weight ($4.31 to $7.34 per 100 lbs.); a surcharge of 5 per cent of the duty is added at the end of the first year, 10 per cent at the end of the second, and so on until at the end of five years it amounts to 25 per cent of the duty. It is to be noted that these rates are lower than the general rates by reason of the preference granted to the United States under the Reciprocity Treaty. The amount of preference granted on the foregoing oils is 20 per cent.

Another decree, effective March 30, 1932, imposed duties on certain livestock and poultry feeds formerly duty free. Processed oleaginous seeds in the form of cakes, meals, etc., and by-products of other industries suitable for feeding livestock are now subject to a duty of 2.64 pesos per 100 kilos gross ($1.20 per 100 lbs.). Beginning July 1 the rate will be increased by 10 per cent annually until at the end of five years it is 50 per cent greater than the initial duty. Feed for fowl, mixtures of three or more crushed grains, and mixtures of animal substances were now made subject to a duty of 1.2 pesos per 100 kilos gross ($0.54 per 100 lbs.), to be increased to 2.4 pesos per 100 kilos ($1.09 per 100 lbs.) after July 1, 1932. The rate on other feeds for animals was increased to 2.8 pesos per 100 kilos gross ($1.27 per 100 lbs.).

In the same month (on March 12) the Cuban Technical Tariff Commission, set up in 1926 as an advisory board to the President in altering duties by executive decree, went out of existence. Until the Cuban Congress passes a law re-establishing the Commission, changes in duties can be made only by the Congress, the presidential decree no longer being effective by itself for this purpose.

3. Obligatory use of yucca flour in bread and other bakery products - A decree published on March 4, 1932 and effective on July 1, 1932, makes it obligatory in Cuba to include a minimum of 10 per cent of yucca flour in the preparation of bread, crackers, etc. Basic legislation had been provided as early as December, 1930, but very little headway had been made in the production of yucca flour on a commercial basis, and enforcement of the existing law had not been instituted. The new decree requires manufacturers of yucca flour to submit to the Departments of Agriculture, Commerce, and Labor a monthly statement of the amount of yucca flour produced and sold to others, and the names, addresses, and amounts sold to each. At the same time, the bakeries must each month report to the local municipal authorities the amounts of both yucca flour and wheat flour purchased and the names of the persons from whom the purchases were made. Their monthly statements must also detail the amount of each kind of flour consumed during the month and must indicate the percentage of yucca and wheat flour used.

4. Fixed price for milk - By a decree of November 23, 1931, the large pasteurizing plants of Cuba were obliged to pay dairy farmers a minimum price of 5 cents a liter for milk (4.7 cents a quart). This was followed by a decree of May 1, 1932, fixing a minimum price of 10 cents a liter (9.5 cents a quart) for milk sold at retail in Havana and three of its suburbs. Between a third and a fourth of Cuba's population is concentrated in this region.

CZECHOSLOVAKIA

Price maintenance measures in Czechoslovakia have taken various forms. Not only have high tariffs been imposed on most commodities imported into the country but supplementary devices have been and are being utilized to protect domestic agriculture from foreign competition. Among the supplementary price influencing measures recently enforced are sliding scale tariffs, milling regulations, import licenses, and exchange permits.

1. Tariffs - Czechoslovakia is one of the new states established after the war out of large units that had formerly been more or less self-supporting. From the very beginning the Czechoslovakian Government has maintained a policy of protectionism, especially for industrial products. It was not until June 6, 1925, that Czechoslovakia definitely embarked upon a program of high protection for agricultural products. While considerable reductions from the basic duties have been made from time to time in return for reciprocal advantages from countries with which Czechoslovaia has negotiated commercial treaties, nevertheless the general tendency has been towards increasing tariff barriers for both industrial and agricultural products even when these concessions are taken into account.

A law of June 6, 1925, transferred many agricultural products from the free to the dutiable list and placed high duties on all agricultural products. Moreover, this law established a system of sliding scale tariffs for wheat, rye, barley, oats, and lard. This provided for the imposition of duties on these products wherever the prices fell below defined levels, with progressive increases of the duties for each further decline of price. On the other hand free entry of these products was permitted whenever the domestic price level for the same merchandise exceeded the established levels. Several other commodities were subsequently added to the sliding scale list. The tariff revision of June 6, 1925, also established a system of coefficients or multiples to be applied to the basic rates of duty in order to maintain a parity between foreign currencies and the Czechoslovakian crown.

After some months of trial the Czechoslovakian grain farmers complained that the sliding scale system gave them inadequate protection, and they requested that the system be abolished. Accordingly on July 14, 1926, a law became effective replacing the sliding scale arrangement by high

fixed tariffs. At the same time a schedule of minimum duties was established for purposes of tariff negotiation.

On June 15, 1930, however, the Government once more took up the sliding scale principle for limiting the importation of wheat, rye, barley, oats, flour and other mill products. A new law, effective that date, authorized the Government to increase the duties on these products if at the end of each calendar month the average grain prices during the preceding quarter had dropped to a level equivalent to 11 per cent below the average prices during the five years from 1925 to 1929. The Government since that time has frequently revised the duties on the products mentioned. Without changing the basic rates, the Government from time to time imposes whatever additional duty under the foregoing provision it may deem necessary in order to restore the price to the average level stipulated.

As of possible interest in this connection the following table gives the basic rates of duty on cereals and flour and the supplementary duties effective as of February 10, 1932, which taken together, represents the actual duties payable from that date on the product mentioned. From this tabulation it can be seen that the actual duty on wheat on that date amounted to 44 cents per bushel.

Czechoslovakian duties on cereals and flour

Products	Rates in foreign currency		In U. S. currency a/	
	Basic rate	Supplementary duty	Basic rate	Supplementary duty
	Crowns per 100 kilos	Crowns per 100 kilos	Per bushel	Per bushel
Wheat	30	25	$0.24	$0.20
Rye	38	15	0.29	0.11
Barley	34	36	0.22	0.23
Oats	36	34	0.16	0.15
			Per 100 lbs.	Per 100 lbs.
Flour and milled products...	70	50	$0.94	$0.67

a/ Converted at par.

2. Import certificate system - On July 14, 1926 (by the same law which abolished the sliding scale system set up in 1925 as noted above), the Government adopted the import certificate system applicable to imports of the following products, effective from August 1: wheat, buckwheat, rye, oats, beans, peas, lentils, vetch, corn and rice. These certificates issued originally in connection with exports of the foregoing products and also wheat flours and other mill products, were offerable in place of cash for payment of import duties on the items specified above (except flours, for which such certificates could be used only in the payment of the import duty on grain and legumes), the value of each certificate being predicated upon

the full amount of the duty rate on that particular product in the import tariff. This system, which has been used by some other countries, notably by Germany (see p. 102), is in reality a type of export bounty since the certificates are offerable for payment of import duties and are therefore salable by exporters for cash in amounts approximating the face value of the certificates.

3. Milling and mixing regulations - In common with many other European countries Czechoslovakia also maintains a system of milling quotas on wheat and rye whereby imports are limited to stipulated percentages of total domestic milling requirements. On November 7, 1930, a law was enacted stipulating: (1) that Czechoslovakian millers use, monthly, such a quantity of home-grown wheat and rye as would amount to at least 75 per cent of the total quantity of wheat and flour milled and to at least 95 per cent of the total quantity of rye milled; and (2) that imported wheat and rye flour be offered on the Czechoslovakian market only when mixed, in the case of wheat flour, with at least 75 per cent of flour made from home-grown wheat and, in the case of rye flour, with 95 per cent of flour made from home-grown rye.

The law authorized the Government to amend the percentages of milling and mixing from time to time as circumstances warranted. On May 18, 1931, accordingly, a decree was issued establishing new quotas as follows: Wheat, 50 per cent foreign and 50 per cent domestic (formerly 25 per cent foreign and 75 per cent domestic); rye, 90 per cent foreign and 10 per cent domestic (formerly 5 per cent foreign and 95 per cent domestic); wheat flour; 50 per cent foreign and 50 per cent domestic (formerly 25 per cent and 75 per cent, respectively); and rye flour, 90 per cent foreign and 10 per cent domestic (formerly 5 per cent and 95 per cent, respectively). The large increase in percentages of foreign rye and rye flour that could be used was made necessary by the fact that a shortage in domestic supplies threatened a material increase in bread prices.

The original milling and mixing law remained in effect only during the 1930-31 season. It was allowed to expire on August 31, 1931, due to the fact that prospects for the 1931-32 harvest were not sufficiently encouraging to justify the continued application of this device. On October 30, 1931, however, an Inter-ministerial Committee made a ruling that thereafter import permits for wheat and wheat flour would be granted only to applicants in the ratio of 40 metric tons of foreign wheat and wheat flour to every 10 metric tons of domestic wheat and wheat flour purchased; a previous law having provided that wheat and certain other products could be imported only under licenses (See Import Licenses below).

4. Import licenses - Czechoslovakia has for several years controlled the import trade of the country in a large number of products by requiring importers to secure licenses before they could import certain products. Prior to 1930, however, import licenses had been applied in Czechoslovakia mainly in connection with imports of manufactured products. During 1930 and 1931 the system of import licenses was greatly expanded in relation to agricultural imports. As late as October 15, 1931, a total of 84 imported products were subject to import licenses, including such agricultural products as wheat, rye, barley, oats,corn, flour, livestock and meats, poultry and dairy products, lard, potatoes, currants and raisins. It is

claimed that the license system is maintained mainly to prevent imports of the specified articles from non-treaty countries from enjoying the tariff and other privileges which are granted to similar articles imported from treaty countries. While the above-mentioned law governing the issuance of licenses to import does not specify (with the exception noted below) that the Government may regulate the imports by countries of origin there are indications that the licenses are so allotted as to give the market to nations that have entered special commercial treaties with Czechoslovakia.

On July 26, 1931, a supplementary law was passed providing that the import licenses for bread grains, flour, and milled products would thereafter be granted by a special inter-ministerial committee instead of by the Ministry of Agriculture. This Committee not only issues the licenses for the importation of cereals and milled products but it is also authorized to fix the amount of wheat that may be imported from time to time and to issue the necessary licenses only when evidence is submitted to indicate that the requisite amounts of domestic wheat have been purchased (See milling regulations). This method of control in respect to wheat is to remain in force up to the end of the 1931-32 marketing season, i.e., July 31, 1932. The inter-ministerial committee also specifies the countries from which the wheat is to be purchased. During recent months such import quotas have been allotted mainly to imports of Yugoslav, Rumanian and Canadian wheat.

5. Exchange certificates - An additional and still more drastic plan for controlling imports was announced on January 19, 1932. A regulation published on that date and effective on January 25, 1932, contained a comprehensive list of commodities for the importation of which the Czechoslovak National Bank could not release foreign currency except on the recommendation of a special standing Committee of the Ministry of Finance. In other words, the importers of this list of so-called "superfluous" or "non-essential" commodities are required by this regulation to obtain a special authorization for payment before the goods may be imported. A certificate from the National Bank authorizing the allotment of foreign exchange must be produced by the importer at the time of importation. The customs authorities will not permit the importation of any of the articles subject to this law unless the importer produces the exchange permit or certificate.

The list of commodities for which the National Bank may release foreign currency only upon the recommendation of the standing Committee of the Ministry of Finance includes coffee, tea, figs, raisins, currants, oranges, dates, bananas, pineapples, almonds, beans and lentils, fresh grapes, walnuts, onions, cabbage, live or dead poultry, animals for slaughter, fresh-water fish, honey, butter, lard, bacon, fresh meat, sausages, cheese, dried vegetables of all kinds, olives, distilled alcoholic liquors, wines, fruit juices and a long list of manufactured wares. The law also provided that after January 25, 1932, the export shipping documents covering shipments of goods subject to the Czechoslovak exchange restrictions, must contain a statement giving the name and address of the local consignee holding the permit to purchase the foreign exchange.

6. Other relief measures - The Czechoslovakian Government also grants some small measure of official aid to flax producers. Moreover, the Government has promised financial aid in exporting starch and potato flour.

DENMARK

Denmark is predominantly an agricultural country, her chief products and exports being butter, bacon, and eggs. Her traditional commercial policy is free trade. The agricultural interests have in general been unfavorable to government interference with industry. Apart from a few insignificant attempts there has been practically no official regulation of output, sales, or prices. The recently established sugar monopoly is the chief exception.

Danish agriculture is noted for its high efficiency in the processes of production and marketing and for the high and dependable quality of its products. Not until the end of 1930 did the world depression begin to make itself felt on Danish agriculture. The enviable position of Danish agriculture is largely the result of a very successful system of agricultural cooperation and adult education founded upon an age-long tradition of village cooperation. The Danish farmers face the world market as collective bodies of sellers rather than as individuals.

1. Inspection and standardization of exports of bacon, butter, and eggs - It is therefore not surprising that governmental measures affecting agricultural prices in Denmark have been very limited in number and scope. The most important have dealt with the standardizing and branding of meat and dairy products for export purposes. Legislation enacted in 1906 and amended in 1911 adopted "Lur Brand" as the national mark on all export Danish butter. Creameries using the brand are carefully supervised by Government dairy experts to see that the quality of their output is up to standard for export purposes. Similarly Danish law requires that the Danish export bacon be handled under the common registered trade mark, "Lur Brand". Only the highest class bacon can be stamped with the brand in red and only products bearing the red stamp can be exported.

Eggs destined for the export market are also subject to regulations designed to insure quality. For example, the amendment of March, 1929, to the regulations concerning the export of eggs, prescribed the exact manner in which the word "Danish" is to be stamped on each "Fresh Danish Egg". "This marking must be stamped only on 'Fresh Danish Eggs' and only by exporters authorized by the Ministry of Agriculture. Eggs so marked must not be preserved, paraffined or treated in any similar way nor must they be kept in cold store."

One minor instance of government intervention to assist producers in controlling supplies came early in 1931 when the Danish Parliament passed an act the primary object of which was to assist the Danish exporters of live pigs to regulate the volume of exports. Live pig exporters were required to obtain export licenses from the Ministry of Agriculture. The Ministry does not grant such licenses except on the advice and recommendation of the export committee which represents the slaughterhouses and has full power in connection with the exports of these animals. It was hoped that this action would prevent forced sales, particularly in newly developed markets.

2. Import restrictions - The Government has pursued a hands-off policy relative to import restrictions aimed at modifying the currents of trade. The law of October 19, 1931, which is the most important of recent date, merits but a passing mention so far as agriculture is concerned. By this law the import duty on apples, pears, and quinces were increased temporarily from 0101 krone to 0.05 krone per kilo (from about 0.1 of a cent to 0.6 of a cent a pound). In general, however, the interests of Danish agriculture have been on the side of encouraging, rather than discouraging, imports of feeds for Danish livestock and of necessities for human consumption.

3. Recent legislation in alleviation of tax and interest burdens - For the sake of completeness brief mention may be made of a law effective October 19, 1931, which aimed to afford relief to agriculture in the form of a temporary reduction in the amount of taxes and interest on mortgages paid by owners and tenants of farms. While not directed toward price maintenance, this legislation may have some bearing on prices inasmuch as its operation is dependent under certain circumstances on the changes in the prices of butter and bacon.

Owners of farms whose debts exceed their net capital may obtain alleviations in connection with the payment of taxes and interest. The amount granted may not exceed two per cent of the sum by which the debt of the farmer exceeds his total capital. Where a farm has been let to a tenant, the municipal council, which is in charge of disbursing the government aid, may at its discretion divide the amount of aid between owner and tenant. The payments are made quarterly by the Government to the municipalities which in turn use the funds received to cover the municipal taxes of the owner or tenant during the quarter in question. Any possible balance after taxes have been paid is applicable on the interest due on the first mortgage. In case the average weekly quotations of butter and bacon in the period 1932-1937 rise over 30 per cent above the averages of the latter half of 1931, the amounts granted shall be refunded in four semi-annual installments, two in 1937 and two in 1938. The total amount of aid available under the provisions of this act is about $800,000.

4. Danish sugar monopoly - According to a law effective March 23, 1932, the sugar factories and refineries in Denmark are given a monopoly of the manufacture, refining, importation, and exportation of sugar. Imports and exports, however, can take place only with the permission of the Minister of Commerce and Industry. The low price of sugar in world markets has greatly affected the Danish sugar industry and on this account most of the factories and refineries in Denmark have been in a bad situation. Moreover, the growing of sugar beets has become unprofitable because of low prices and there has been a tendency to replace beets with other crops. The present monopoly was set up in order to secure more favorable prices for beet growers and at the same time improve conditions for the sugar factories and refineries. The creation of the monopoly followed a period of agitation by the beet growers for relief which, on account of the financial crisis, the Government had for some time been reluctant to grant. A subsidy to the beet growers in 1930-31 had involved an expenditure of approximately $240,000.

The law provides for a minimum price of 1.80 kroner per quintal (16.6¢ a 100 pounds, at exchange as of April 25, 1932) for sugar beets delivered at the factories. In order to make it possible for the factories to pay this price the retail price of sugar has been fixed at 32 öre per kilogram (2.9¢ a pound, at exchange as of April 25, 1932). The law also provides that while the monopoly is in operation (i.e., from March 23, 1932 to November 30, 1933) the sugar factories and refineries may not pay dividends in excess of four per cent. In case they cannot make sufficient profit to pay this dividend, the retail price of sugar will be increased up to 36 öre per kilogram (3.3¢ a pound, at exchange as of April 25, 1932). During 1931 an area of 60,000 acres was sown to sugar beets in Denmark. It is expected that this area will be increased under the monopoly regime to between 80,000 and 90,000 acres, which will be sufficient to satisfy the Danish sugar demand and thus render importation entirely unnecessary.

EGYPT

The most important agricultural price maintenance activities of the Egyptian Government are associated with the cotton-growing industry which so greatly predominates in Egyptian agriculture. At the same time, however, the Government has attempted to aid other branches of agriculture not only through the medium of import restrictions such as tariffs, but also, in the case of sugar, by setting up a quasi-governmental monopoly over the industry.

1. Tariffs - There has been a very definite upward trend in the Egyptian tariffs during the past two years. Increases were made sporadically on a long list of products during those years. The crowning event in this upward trend was reached on February 17, 1931, when the Egyptian Government increased the duties on a long list of agricultural and other products. The official comments accompanying this and previous increases pointed out that the permanent objective of the Government was to free Egypt from its dependence upon a single money crop - cotton - and that the increases in the duties, in addition to providing revenue for balancing the budget, would supplement the cotton restriction legislation by encouraging the production of other crops, particularly cereals and vegetables.

Among the products for which increases in the duty were established by the law of February 17, 1931, were meats, preserved milk, cheese, vegetables, rye, packaged cereals, certain animal and vegetable fats and oils, and a long list of products of the food preparing industries. Earlier increases applied to sugar, tobacco, rice, wheat and wheat flour, all classes of lupines, vetches, and other dry pulse, fresh fruits, and dried prunes and apricots. In the case of wheat, wheat flour, and sugar, the increases in the duties were such as virtually to prohibit their importation.

A few selected rates of duty, in effect as late as April 1, 1932, will serve to suggest the extent of the protection accorded Egyptian producers of agricultural products. The rates are given in Egyptian pounds and milliemes and are per 100 kilograms unless otherwise stated.

They are converted, in parenthesis, to United States currency on the basis of the exchange value of the Egyptian pound as of April 1, 1932. (The Egyptian pound consists of 1,000 milliemes and was quoted at $3.90 in U. S. currency on April 1, 1932). The rates follow: Beef and veal, £0.600 ($1.06 a 100 lbs.); mutton and lamb, £0.900 ($1.59 a 100 lbs.); bacon £1.350 ($2.39 a 100 lbs.); hams, £2.400 ($4.25 a 100 lbs.); butter, £2.400 ($4.25 a 100 lbs.); cheese, £1.800 ($3.18 a 100 lbs.), depending on type; eggs, £1.000 ($1.77 a 100 lbs.); apples, £0.240 ($0.42 a 100 lbs.); rice, not decorticated and decorticated, £0.100 and £0.300 ($0.18 to $0.53 a 100 lbs.), respectively; natural lard, £0.900 ($1.59 a 100 lbs.); vegetable fats and oils, £0.600 to £1.200 ($1.06 to $2.12 a 100 lbs.), depending on type, when not used for the manufacture of soaps, colors and varnishes; refined sugar £0.900 ($1.59 a 100 lbs.). On leaf tobacco the rate is £1.000 per kilogram ($1.77 per lb.).

The above duties do not include the general quay tax of 10 per cent of the duty levied on all imports. Moreover, in the case of sugar, an additional "excise tax" is imposed amounting to approximately $15 per metric ton. In connection with the duty on tobacco it should be mentioned that the cultivation of tobacco has been prohibited by law in Egypt since 1890. There are two reasons for this prohibition. One is that the climate and soil are unsuitable for tobacco and the other is that if tobacco were grown in Egypt the enormous customs revenues derived from tobacco and tobacco products would be lost to the Government. Imported tobacco, therefore, provides the entire Egyptian supply. The Egyptian Department of Agriculture has been growing a small quantity of tobacco for experimental purposes since the war but the quality of the product is said to be very inferior.

2. <u>Sliding scale tariff system for wheat and wheat flour</u> - Price maintenance for domestic wheat and wheat flour on the Egyptian market has been attempted since February 9, 1931, when a system of sliding scale duties was adopted for that purpose. According to this plan the import duties on wheat and wheat flour are regulated in relation to the prices quoted in British Pounds Sterling on the London Exchange, for Australian wheat and wheat flour, delivered c.i.f., Egyptian ports. The plan was associated with the Government's general program of encouragement of crop diversification, including efforts to limit cotton acreage (See "Control of cotton acreage", below).

The original law of February 9, 1931, provided that whenever Australian wheat was quoted, in British Pounds Sterling on the London Exchange, c.i.f., Egyptian ports, at 95 shillings or less per metric ton ($0.63 a bushel at par), the duty was to be 485 milliemes per 100 kilos gross ($0.65 a bushel at par). For each 5 shillings per ton ($0.03 a bushel) advance in the quotation above 95 shillings, the duty was decreased on a varying scale by 20 or 25 milliemes per 100 kilos (2.7¢ or 3.4¢ a bushel). When the quotation was 160 shillings or more per ton ($1.06 a bushel), the duty reached the minimum rate of 180 milliemes per 100 kilos ($0.24 a bushel).

On wheat flour the duty was to vary as follows: when Australian flour was quoted on the London Exchange, c.i.f. Egypt, at 120 shillings or more per metric ton ($1.32 a 100 lbs. at par) the duty was to be 670

milliemes per 100 kilos gross ($1.50 a 100 lbs. at par). For each 5 shillings per ton (5.5¢ a 100 lbs.) advance above 120 shillings, the duty was decreased on a varying scale by 20 or 30 milliemes per 100 kilos (4.48¢ or 6.72¢ a 100 lbs.). When the London price quotation reached 200 shillings or more per ton ($2.21 a 100 lbs.), the duty reached the minimum level of 320 milliemes per 100 kilos ($0.72 a 100 lbs.).

The above schedule of sliding-scale duties was subsequently revised. The last revision was made on March 31, 1932. According to that revision, beginning April 1, 1932, the duties on wheat and wheat flour are as follows:

Egyptian sliding scale tariff duties on wheat

(Based on London prices of Australian wheat, c.i.f. Egyptian ports)

London quotation c.i.f. Egyptian ports		Rate of duty	
Sterling Per metric ton	a/ In U.S. currency Per bushel	Milliemes Per 100 kilos	b/ In U.S. currency Per bushel
£8 or over	$0.83	280	$0.30
£7/15 to £8	.80 to .83	300	.32
£7/10 to £7/15 ..	.78 to .80	320	.34
£7/5 to £7/10 ..	.75 to .78	345	.37
£7 to £7/5 ..	.72 to .75	365	.39
£6/15 to £7....	.70 to .72	390	.41
£6/10 to £6/15 ..	.67 to .70	410	.44
£6/5 to £6/10 ..	.65 to .67	430	.46
£6 to £6/5 ..	.62 to .65	455	.48
£5/15 to £6	.59 to .62	475	.50
£5/10 to £5/15..	.57 to .59	500	.53
£5/5 to £5/10..	.54 to .57	520	.55
£5 to £5/5 ..	.52 to .54	540	.57
£4/15 to £5 ...	.49 to .52	565	.60
£4/10 to £4/15..	.46 to .49	585	.62
£4/5 to £4/10..	.44 to .46	610	.65
£4 to £4/5 ..	.41 to .44	630	.67
£3/15 to £4	.39 to .41	650	.69
£3/10 to £3/15..	.36 to .39	675	.72
£3/5 to £3/10..	.34 to .36	700	.74
£3 to £3/5...	.31 to .34	720	.76
£3 or less	.31	745	.79

a/ Converted to United States currency on the basis of $3.80 to the British pound sterling, the rate of exchange prevailing on April 1, 1932.

b/ Converted to United States currency on the basis of $3.90 to the Egyptian pound, the rate of exchange prevailing on April 1, 1932. The Egyptian pound consists of 1,000 milliemes. At par it is worth $4.9431, as compared with $4.8665 for the British pound.

Egyptian sliding scale tariff duties on wheat flour

(Based on London prices of Australian wheat,
c.i.f. Egyptian ports)

London quotation c.i.f. Egyptian ports		Rate of duty	
Sterling Per metric ton	a/ In U.S. currency Per barrel	Milliemes Per 100 kilos	b/ In U.S. currency Per barrel
£10 or over	$3.38	550	$1.91
£9/15 to £10	3.29 to 3.38	570	1.98
£9/10 to £9/15 ..	3.21 to 3.29	600	2.04
£9/5 to £9/10 ..	3.12 to 3.21	620	2.15
£9 to £9/5 ...	3.04 to 3.12	640	2.22
£8/15 to £9	2.95 to 3.04	660	2.29
£8/10 to £8/15 ..	2.87 to 2.95	680	2.36
£8/5 to £8/10 ..	2.78 to 2.87	700	2.43
£8 to £8/5 ...	2.70 to 2.78	730	2.53
£7/15 to £8	2.62 to 2.70	750	2.60
£7/10 to £7/15 ..	2.53 to 2.62	770	2.67
£7/5 to £7/10 ..	2.45 to 2.53	790	2.74
£7 to £7/5 ...	2.36 to 2.45	810	2.81
£6/15 to £7	2.28 to 2.36	840	2.91
£6/10 to £6/15 ..	2.19 to 2.28	860	2.98
£6/5 to £6/10 ..	2.11 to 2.19	880	3.05
£6 to £6/5 ...	2.03 to 2.11	900	3.12
£5/15 to £6	1.94 to 2.03	920	3.19
£5/10 to £5/15...	1.86 to 1.94	940	3.26
£5/5 to £5/10 ..	1.77 to 1.86	970	3.36
£5 to £5/5 ..	1.69 to 1.77	990	3.43
£5 or less	1.69 and less	1010	3.50

a/ Converted to United States currency on the basis of $3.80 to the British pound sterling, the rate of exchange prevailing on April 1, 1932.
b/ Converted to United States currency on the basis of $3.90 to the Egyptian pound, the rate of exchange prevailing on April 1, 1932. The Egyptian pound consists of 1000 milliemes. At par it is worth $4.9431, as compared with $4.8665 for the British pound.

3. Control of cotton acreage and marketing - The Egyptian Government has endeavored to bolster prices of cotton by restricting acreage and also by various activities in connection with the marketing of the crop. There follows a brief summary of the current restriction regulations, the intervention of the Government on the marketing side, and of the earlier restrictions enforced by the Government. Of late the Government has been particularly active in attempts to forestall forced land sales in connection with small land-holdings; but an account of this falls outside the scope of the present survey on price-supporting measures.

(a) Present acreage restrictions - For the crop year 1932-33 the Egyptian Government has restricted the acreage planted to cotton to only about a fourth of the area in all crops in the possession of each cultivator. This is the broad gist of the situation. In detail, however, distinction must be made between the Northern Zone of the Delta (where Sakellaridis is grown) and the remainder of the country. The regulations governing these two areas are somewhat different.

Legislation providing for the restriction of the Sakellaridis acreage in the Northern Zone of the Delta was enacted in February, 1931, This measure provided that for the three crop years 1931-32 to 1933-34, Sakellaridis or any other variety of cotton would be planted only in certain specified areas in the northern districts of the Nile Delta and that the acreage planted by any one individual in that zone could not exceed 40 per cent of the total area of land held by that person. A new decree issued on September 27, 1931 modifies certain provisions of the earlier law by extending the restrictions of the cultivation of Sakellaridis or other varieties of cotton from 40 per cent of the total area held by any one person to 30 per cent of the area within the zone specified in the original law. The present law is to be effective only during the 1932-33 crop year after which the terms of the original measure will again come into effect.

Another decree, dated September 27, 1931, restricts the cultivation of cotton outside of the Northern Zone of the Delta to not more than one quarter of the total area in the possession of a cultivator. Only lands that are fit for the cultivation of cotton, and are now being devoted either to the production of cotton or to the production of other crops, may enter into the calculation of the actual area that may be devoted to cotton during the 1932-33 season. This decree applies to all areas except to those districts in the Northern Zone of the Delta where Sakellaridis cotton is grown almost exclusively.

The Egyptian Government is encouraging farmers to plant cereals on the land on which cotton sowing is precluded in order that the large quantities of cereals now imported to supplement local production may be reduced.

(b) Current marketing activities by the government - The Government has also been active on the marketing side. Early in August, 1931, the Egyptian Government appropriated 50,000 Egyptian pounds ($250,000) for advertising Egyptian cotton abroad. This advertising campaign was to be undertaken through the representatives of the Egyptian Government in foreign countries. In connection with the campaign the Government decided to make extensive consignments of its cotton stocks to European centers, notably Liverpool and Rotterdam. The Government had decided to dispose of 500,000 cantars (103,607 bales of 478 pounds each) annually beginning September 1, 1931. The Egyptian Government accordingly made arrangements in Liverpool for the storage, insurance, sampling, delivery, etc., of the Government-owned stocks being held in Egypt. The arrangements provided that as each quantity of Egyptian cotton was sold out of the stocks in Liverpool it would immediately be replaced by new consignments from Egypt. Steps were also taken to effect the same arrangements in Holland, Germany, Poland, Czechoslovakia, and Italy.

However, this elaborate plan of storage was very soon abandoned, following the publication of the large August (1931) cotton crop estimate of the United States. Late in August, 1931, the Government suspended sales of its stocks to the textile industry in Egypt and announced that its future policy with regard to the sale of the Government stocks of cotton would be governed by the following considerations: (a) that the Government stocks of approximately 3,000,000 cantars (621,640 bales) would be sold in annual portions of about 500,000 cantars (103,607 bales); (b) that the Government would not compete with the Egyptian exporters in foreign markets already developed by the Egyptian exporters, and if any sales were made in such markets they would be limited to cotton that could not be supplied by the local exporters; and (c) that none of the Government stocks were to be sold in the Egyptian market except in cases where it could be shown that the cotton demanded was indispensable to the continuance of mill activity. Early in December, 1931, the Government announced that negotiations were being conducted between the Minister of Finance and an Egyptian cotton spinning company for the sale of 500,000 cantars (103,607 bales) of cotton over a period of three years at the current market price, on the condition that when the profits of the company exceeded a specified figure the Government would be given a share of the same. It was stated by the Government that the purpose of this transaction was to restrict imports of cotton cloth and thus help to effect a trade balance and to provide work for the unemployed.

(c) Earlier government intervention - Government intervention in connection with the production and marketing of cotton in Egypt is not a new thing. Legislation designed to restrict the cotton area was enacted in 1915, 1918, 1921, 1925 and 1926. Because of the favorable trend of the cotton market during the period of the first three laws, i.e., of 1915, 1918 and 1921, it was considered unwise and inexpedient to enforce the restriction. The law of 1925 was intended for application to the 1926 crop, but it was not promulgated until after the farmers had made all preparations for their crop rotation for the year 1926. The general practice in Egypt is to grow three crops a year on the same land and the second and third crops are largely dictated by the first. It so happened that the first crop had already been planted before the 1926 law became effective. Hence its enforcement meant that considerable areas would lie idle a portion of the year. This is considered a catastrophe in Egypt. This situation caused the law to be abolished by decree. The law of 1926, which was intended to cover cotton plantings for the years 1927-28, 1928-29 and 1929-30, limited the number of acres that could be planted to cotton in any one year to one-third of the total number of arable acres.

In addition to the laws limiting cotton acreage, there have been other activities in the past designed to protect the interests of the cotton growers. One of these placed the Government in the market as a potential purchaser, another enabled the Government to loan money at rates below its commercial value to growers who wished to withhold their cotton from the market, another prohibited the mixing of varieties of cotton, and still another required that all seed used for planting purposes had to be certified as to purity and germination powers.

4. Semi-official monopoly of the sugar industry - On February 16, 1931, the Government announced that an agreement had been entered into by the Government and the "Societe Generale des Sucreries et De La Raffinerie D'Egypte" whereby the latter binds itself to increase sugar production in Egypt to the limit determined by the Government while the Government agrees to protect the sugar company from foreign competition. The entire plan is based on close cooperation between the Government and the Sugar Company. The monopoly is to remain in effect for a period of 14 years.

On its part the Sugar Company undertakes: (1) to increase its production of sugar to the limit determined by the Government; (2) to buy such quantities of sugar cane grown in Egypt as may be required to manufacture the amount of sugar determined by the Government, at prices fixed by the Government; (3) in case of an insufficiency of domestic cane, to import and refine enough foreign sugar to supply the needs of the country, the amounts and conditions of importation being determined by the Government; (4) to refrain from exporting sugar without the authorization of the Government, and (5) to sell sugar for local consumption at prices fixed by the Government. On its part the Government, in addition to the foregoing production and price regulating activities, undertakes to regulate the customs regime so as to reserve the Egyptian market for home producers. With this end in view the import duties on raw and refined sugar were increased to prohibitive levels on February 22, 1931 (See Tariffs, above). In the case of an insufficient supply of sugar to meet domestic requirements, however, the Government reserves the right to reduce the customs duties to the extent deemed appropriate. The importation and refining of the required quantities of foreign sugars in such a contingency is to be done by the Sugar Company under special conditions established by the Government. The Government will share in the profits of the Sugar Company according to a fixed schedule.

ESTONIA

Estonia maintains tariffs on a long list of industrial and agricultural products in order to protect domestic industry, but the main reliance of the Government, as far as aid to agriculture is concerned, has been on other measures. Outstanding amongst these latter are government monopolies, import licenses and export bounties. All of these are designed to influence prices either by regulating imports or by promoting exports of farm products.

1. Tariffs - Estonia maintains tariffs on a wide range of agricultural products. She produces an export surplus of such commodities as butter, eggs, cheese, bacon, flax, hides and skins, and potatoes, but is on an import basis for such products as wheat, rye, barley, oats, wheat and rye flour, fresh and dried fruits, sugar, tobacco, rice, and a long list of other food products. Duties are maintained on practically all of the agricultural products imported and exported. The Government in recent years has been doing everything possible to reduce the unfavorable trade balance of the country and the duties on many products have been increased.

Brief mention of some of the more recent increases will serve to indicate the trend of tariff rates. The duty on sifted wheat flour was increased from 0.32 to 0.39 gold francs per kilo ($5.49 to $6.69 per bbl. at par), effective March 12, 1931. On July 20, 1931, the duty was still further increased to 0.29 kroon a/ per kilo ($6.91 per bbl.), which is the rate at present in effect. The duty on wheat which is 0.11 kroon per kilo ($0.80 per bushel), remained unchanged. The duty on unsifted wheat flour is 0.18 kroon per kilo ($4.29 per bbl.). The duty on unhusked rice was increased from 0.05 to 0.08 Estonian kroon per kilo, net (0.61¢ to 0.97¢ per lb.) on December 12, 1931. On the same date the duty on husked rice was increased from 0.12 to 0.15 Estonian kroon per kilo, net (1.46¢ to 1.82¢ per lb.) and the duty on leaf tobacco from 2.25 to 3.00 Estonian kroon per kilo, gross (27.35¢ to 36.47¢ per lb.). Increases were also made during 1931 in the duties on bacon and a number of other agricultural products. Effective February 2, 1932, the import duties on all kinds of sugar were increased to a single rate of 0.20 Estonian kroon per net kilo (2.43¢ per lb.). Powdered sugar, lump and candied sugar were formerly dutiable at 0.17 kroon (2.07¢ per lb.), and other sugars at 0.125 kroon (1.52¢ per lb.). In view of the inadequacy of tariffs alone as a measure of relief to farmers the Government has afforded additional protection by the supplementary devices which are discussed under the headings that follow.

2. Government monopoly of the grain trade - The Estonian Government now exercises a complete monopoly over the wheat and rye trade of the country whereby it regulates imports and maintains fixed prices for the domestic product. The origin of the present system goes back to July 12, 1930, when the so-called "Grain Protection Law" was passed. This law authorized the Government to declare a state monopoly for the purchase, sale, import and export of wheat, rye, and wheat and rye flour and to delegate its rights under the law to selected private individuals or firms. The "Grain Protection Law" laid down the general outlines of the manner in which the rye trade of the country should be regulated and provided that the wheat trade of the country could be controlled and regulated by the Government on a similar basis whenever it saw fit to exercise such authority.

(a) Control of the rye trade - To begin with the above law was made effective only in regard to rye. The regulations that were issued for the control of the rye trade of the country provided that (1) the Government or its authorized agencies would purchase all surplus rye, i.e., other than seed grain and food requirements at a fixed price, allowing only such quantities of foreign rye for importation as could not be supplied from domestic sources. The Government fixed its basic purchasing price for domestic rye at 0.175 kroon per kilo ($1.19 per bushel). At the same time a system of grading was adopted according to which the basic price could be increased or decreased depending upon the quality of the rye. A number of local grain merchants were delegated by the Government to purchase domestic rye. These merchants had to purchase all the rye offered to them by growers at the prices fixed by the Government. The re-

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a/ Beginning July 20, 1931, the tariff rates were quoted in Estonian kroons instead of in gold francs as formerly.

sale of such grain, however, could not be made except upon special authorization from the Government. The re-sale price of the Government-owned rye was fixed at 0.19 kroon per kilo ($1.29 per bushel).

The Government delegated its authority to import rye to the same merchants to whom it had delegated its authority to purchase domestic rye. The regulations during the 1930-31 marketing season permitted these merchants to import two units of the relatively cheap foreign rye for each five units of the more expensive domestic product purchased. This enabled the preparation of a rye mixture which could be marketed at a price considerably lower than would have been the case had Estonian rye alone been used.

The above law applying to the rye trade of the country was extended to the 1931-32 harvest and marketing season. On September 3, 1931, the Government announced that the basic Government purchasing price for domestic rye during the 1931-32 season would be 0.15 kroon per kilo ($1.02 per bushel). No information is available as to the selling price of the new crop of rye. Considerable stocks of 1930 rye were carried over by the Government into the 1931-32 crop year. The Government announced that these carryover stocks would be sold at 0.15 kroon per kilo ($1.02 per bushel). The Government at the same time stated that the importation of foreign rye would be entirely prohibited during the 1931-32 crop year until the carryover from the 1930 crop was disposed of. The loss on the sale of the 1930 stocks at 0.15 kroon per kilo ($1.02 per bushel), when it cost the Government 0.175 kroon per kilo ($1.19 per bushel), will be offset by later imports of cheap foreign rye which the Government will sell at a corresponding profit to the local mills.

(b) Control of the wheat trade - As already mentioned the original "Grain Protection Law" of July 12, 1930, also gave the Government the right to exercise a monopoly over the wheat and wheat flour trade of the country. On March 12, 1931, therefore, the Government established a program for the purchasing and marketing of the wheat crop. The procedure adopted differed considerably from that established for rye. With regard to rye, all transactions in domestic rye are made by agents of the Government, which is the actual purchaser and seller. In the case of wheat, on the other hand, the large flour mills of the country are the purchasers. The Government, however, maintains what amounts to actual supervision of the entire scheme, inasmuch as it has entered into a contract with the millers to maintain a prohibitive duty on foreign wheat flour as long as the millers buy all of the wheat offered to them by the farmers at the prices fixed by the Government. By the arrangement in effect the Estonian mills have obtained complete elimination of competition on the part of imported flour while the Estonian farmers are guaranteed a market for their wheat at fixed prices, which are practically 100 per cent higher than the world market prices, for the corresponding grades and quality of foreign wheat.

Following are the outstanding features of the contract between the Estonian Ministry for Economic Affairs and the large Estonian flour mills, for the purchase of wheat from the Estonian farmers during the 1931-32 crop year: (a) The mills agree to purchase from the farmers or their cooperative societies such quantities of domestic wheat as may be offered

for sale up to September 15, 1932; (b) these purchases will be made on the condition that the present import duty on wheat flour in the amount of 0.29 kroon per kilo ($6.91 per bbl.), and the import duty on whole wheat in the amount of 0.11 kroon per kilo ($0.80 per bushel), will not be lowered; (c) the price to be paid for wheat purchased from the farmers during the 1931-32 season will range from 0.18 kroon to 0.22 kroon per kilo ($1.31 to $1.60 per bushel) at the point of delivery.

At the same time the mills agree not to increase or decrease the price of domestic wheat flour but to hold it at its present level. Prices of wheat flour may be increased only in case increases in the price of wheat on the world market take place. Such increases in price must be in proportion to the increase in wheat prices. In the event of a decline in wheat prices on the world market the millers obligate themselves to decrease the price of domestic wheat flour proportionately. The increases and decreases in the prices of wheat on the world markets are computed on the basis of price quotations by the Hamburg Exchange. The above-mentioned increases or decreases in the price of domestic flour can be effected only when acting in cooperation with the Ministry for Economic Affairs.

The following table gives the Government-fixed prices at which the mills in Estonia buy all of the domestic crop offered by producers:

Government-fixed prices for domestic wheat in Estonia, crop year 1931-32

Grade	Weight per unit of Holland system	Permissible maximum			Purchase price	
		Moisture	Admixture	Sprouting	Per kilo	Per bushel a/
	Pounds	Per cent	Per cent	Per cent	Kroon	Dollars
Best.........	over 131	15	1.0	1.0	0.22	1.60
I	128-131	15	1.5	2.0	0.21	1.53
II	125-131	15	2.5	3.0	0.20	1.46
III.........	122-125	15	3.5	3.0	0.19	1.39
IV	118-122	15	4.0	4.0	0.18	1.31

a/ Conversions into United States currency made at par (one Estonian kroon equals $0.268).

3. State import monopoly - On November 7, 1931, the Estonian Government passed an enabling measure authorizing the Government to take complete charge of imports of certain commodities and to exercise its influence upon questions pertaining to the selection of countries from which such imports should be made. The law also authorized the Government to delegate whatever rights it might reserve for itself, in connection with the regulation of imports, to selected private firms or individuals. Statements given out by the Government concurrently with the publication of this law, pointed out that the intention of the Government is to regulate imports and to confine such imports as far as possible to countries which purchase Estonia's exports. In other words, by limiting imports to

specific countries Estonia hopes to secure for itself permanent export markets for the goods which she is prepared to export. The law of November 7 did not specify how this end was to be brought about but left the details to be covered in the form of special regulations.

Accordingly a second law was passed on November 7, 1931, providing that only such persons or firms would be allowed to engage in the import trade as had secured for themselves so-called "first-guild" licenses for the year 1932. This law automatically made it impossible for numerous commission merchants, speculators, agents and small firms to compete in the importation of merchandise. Subsequently it was decreed that the importation of certain classes of commodities would be subject to licenses to be secured by the "first-guild" firms. The list of commodities to which the above-mentioned import license system was applicable at the end of June, 1932, included wheat, corn, oats, barley, flour, dried apples, apricots, peaches, pears, raisins and currants, sugar, potatoes, beans, peas, lupines, vetches, grits, groats, butter substitutes, lard, fish, seeds, tobacco, honey, malt, hops, macaroni and vermicelli, prunes (prepared without sugar), hides and skins, milk, cream, butter, edible fats, eggs, and a long list of manufactured products.

4. <u>Export bounty on hogs and bacon</u> - A law enacted in Estonia on March 26, 1930, effective April 14, 1930, establishes a subsidy for the promotion of hog raising and bacon exportation. The law provides for the establishment of a fund to be used for the promotion of hog raising and for the stabilization of bacon prices. This fund is to be handled by the National Mortgage Bank at Tallinn. Contributions to the fund are made on the basis of the number of hogs exported from Estonia, the source and amounts of the contributions being as follows:

	Per hog exported
(1) From State budgets in the period 1930-31 to 1935-36	$0.56
(2) From State taxes assessed against slaughter houses	0.24
(3) From export slaughter houses	0.96
Total	$1.76

In regard to the manner in which this fund is to be used the law provides that 40 per cent of it must be devoted to the promotion of hog raising and the remaining 60 per cent to the stabilization of bacon prices. A special committee was appointed to supervise the promotion of hog raising. Nothing is said in the law as to the exact amount of subsidy to be paid in order to stabilize bacon prices. The law provides, however, that subsidies are to be paid to raisers of bacon hogs whenever the market price of first-grade bacon falls below the standard prices fixed by the Government.

Recent reports from Consular sources in Estonia indicate that plans are being made for the introduction of an export premium on butter. Declining exports and low prices for butter have caused serious difficulty to the Estonian dairy industry, which is heavily encumbered with loans.

5. Exclusive tariff preferences with other Baltic states - Some measure of export aid has presumably also been afforded to Estonian exporters of farm products to the other three Baltic States (Latvia, Lithuania and Finland) by the arrangements that have been effected from time to time for special tariff consideration on products exported from these countries to each other. In general the tariff policy of the four Baltic countries (Estonia, Latvia, Lithuania and Finland) has been more or less influenced by the fact that all of these countries were formerly a part of the Russian Empire. The formation of an economic unit out of the three smaller states, Lithuania, Latvia and Estonia, has been frequently discussed but has never materialized. The four states have, however, concluded a series of treaties with each other in which they have made it a practice to insert a clause providing that any special favors granted to each other would not be extended automatically to a third country. This clause has tended to restore to some extent the freedom with which commerce moved between those areas when they were still a part of the old Russian Empire. This exception has been quite generally accepted by other nations in their treaty negotiations with the Baltic countries, through the embodiment of a so-called "Baltic clause" reservation.

FINLAND

Although about two-thirds of the population of Finland live by agriculture, Finland is not agriculturally self-sustaining. This is particularly true in respect to cereals and grain products, of which considerable quantities have to be imported. The unsatisfactory situation which has confronted farmers in all parts of the world in recent years has forced the Government of Finland to take active measures towards relieving the agricultural situation within her own boundaries. These measures, as far as price-influencing legislation is concerned, have been confined largely to tariffs and other regulations controlling the import trade in cereals.

1. Tariffs - Finland has maintained fairly high tariffs on agricultural products for several years, but marked increases were made in the duties on a number of products during 1930 and 1931. Some of the agricultural commodities affected by such increases were wheat, rye, barley, oatmeal, flour, rice, apples, sugar, tobacco, live animals, meat products, oleomargarine, and potatoes. A Finnish law of December 31, 1931, provided for numerous changes, mostly increases, in the import duties which are to be levied during 1932.

Finland endeavors to protect her wheat milling industry by levying duties on wheat flour imports disproportionately higher than those imposed on imported wheat. During 1930, for example, the duty on wheat was one Finnish mark per kilo ($0.69 per bushel at par) and on wheat flour 1.50 Finnish marks per kilo ($3.36 per bbl.). Under the 1931 tariff the duty on wheat flour was raised to 2.10 Finnish marks per kilo ($4.70 per bbl.) while that on wheat was left unchanged. Late in 1931 the duty on wheat was increased to 1.25 Finnish marks per kilo ($0.86 per bushel) while the duty

on wheat flour was raised to 2.50 Finnish marks per kilo ($5.60 per bbl). On the basis of four and one-half bushels of wheat to a barrel of flour it can be seen that the flour miller in Finland is now protected by a duty equivalent to about $1.24 per bushel on the wheat equivalent of the flour imported.

Finland is a party to a series of treaties concluded between the four Baltic countries, Estonia, Latvia, Lithuania, and Finland, providing for reciprocal concessions in the duties of each on various products coming from the other, thus restoring a measure of the freedom with which trade moved between those countries when they were still a part of the old Russian Empire (see Estonia, page 86).

2. Milling and mixing regulations - For certain cereals other than wheat, namely rye and oats, Finland employs, in addition to the tariff, more direct measures of import restriction in the form of milling and mixing regulations. A law of September 30, 1931, authorized the Government to fix the proportion of domestic rye to be used in milling rye flour, the proportion of domestic oats to be used in the manufacture of oatmeal, and the proportion of domestic rye flour to be mixed with imported rye flour. Wheat and wheat flour were not included. The law is to remain in force until January 1, 1936.

The new law authorizes the Government at the beginning of each crop year to fix the amount of domestic rye and oats that must be used in making rye flour and oatmeal, and the percentage of rye flour made from domestic rye that must be mixed with any imports of rye flour before the imported product can be placed on the market. These amounts must be fixed at such a figure as will guarantee that all domestic grain which fulfills milling requirements will find an adequate outlet in Finland.

A feature that distinguishes the Finnish law from similar laws enforced in many of the other European countries is the provision that the proportion of domestic grain to be used may not be fixed at such a level as will increase the price of domestic grains above that of the customs cleared value of the foreign product. The customs cleared value of the foreign product, of course, would be the c.i.f. price plus landing charges, port dues, etc., and the tariff. Thus, what these mixing regulations come to, in the last analysis, is that they are designed to guarantee the disposal of all of a given year's crop of domestic rye and oats in the domestic market at the same prices at which imported grains would sell in Finland. That is to say, they are designed to assure that the current duties of approximately 80 cents per bushel on imported rye and 9 cents per bushel on imported oats shall be fully effective in relation to prices paid for the domestic crop.

In accordance with this law the proportion of domestic rye to be used in milling rye flour has been fixed at 30 per cent; the proportion of domestic oats used in making oatmeal at 70 per cent; and the proportion of domestic rye flour to be mixed with foreign rye flour at 30 per cent. The State is authorized to change these percentages or to suspend them entirely in accordance with the domestic supply situation. The law also provides that the percentage of domestic rye flour that must be mixed with the imported may not be fixed at a figure that will exceed that fixed for the mixing of domestic with imported rye. The law does not provide for

the compulsory mixing of certain amounts of domestic-made oatmeal with imported oatmeal but it requires all importers of oatmeal to present certificates showing that they have purchased a quantity of domestic oatmeal which sustains such a percentage to that imported as has been provided in the law for the use of domestic oats, i.e., 70 per cent domestic and 30 per cent foreign.

All mixing of grains and rye flour must be done under the supervision of the customs authorities. In order to secure the certificates required to import oatmeal the importer must inform the Government at least a week in advance of customs clearance as to the quantity of goods to be cleared, the probable date of clearance, the name of country of origin or trade-mark used, and evidence that he has purchased a quantity of domestic-made oatmeal that corresponds to the proportion of domestic oats used in making oatmeal.

FRANCE

Maintenance of a strong and prosperous agriculture in the French national economy has long been the policy of the French Government, and measures designed to raise the prices of farm products have accordingly had a prominent place during recent years in French plans for agrarian relief. Although French agriculture as a whole approaches a self-sufficiency basis, France is on an import basis not only for essential raw products which she does not produce, such as coffee, cotton, etc., but also for many which she does produce, such as wheat, corn, meats, tobacco, various fruits, etc. Among her price maintenance measures, therefore, restrictions on imports have been of particular importance. These restrictions have included not only tariffs but also such supplementary devices as milling and mixing regulations, import quotas, import licenses, and sanitary restrictions and prohibitions. Other measures include production premiums and direct price-fixing.

1. Tariffs - France maintains a maximum and a minimum schedule of duties, but many of the rates which she imposes fall in between these extremes. The minimum rates apply to all countries with which France has most-favored-nation agreements. The United States does not have such an agreement with France. With respect to agricultural products, the United States nevertheless obtains the benefit of the minimum rates for the greater part of the exports to that market, including such items as wheat, wheat flour, corn, oranges, apples, raisins, prunes, lard, oleaginous raw materials, certain vegetable oils, oil cake, hops, and still other products. There are, however, a number of items, including oats, barley, rye, buckwheat, rice, eggs, certain legumes, sugar, potatoes, and others, which are subject to the maximum rates. Still other products, such as margarine, certain edible fats, certain kinds of cheese, certain grass seeds, certain vegetable oils, wool and wool grease, pay rates lower than the maximum but higher than the minimum. On the other hand, certain agricultural products are permitted free entry into France. Among them are such important items of American agricultural exportation as cotton and tobacco, the latter being free, however, only when imported by the government tobacco monopoly. Hemp, flax and some other items are also admitted free.

France has long maintained duties on most agricultural products as a means of strengthening domestic agriculture and has thus been able to maintain a position approaching national self-sufficiency with regard to foodstuffs. Nevertheless, she imports substantial quantities of some foodstuffs, especially cereals, and is thus in a position where tariffs and other import restrictions can be employed to raise domestic prices of such products. These restrictions she has been tightening markedly during the past two or three years.

The post-war period began with a system of prohibitions and licensing of imports of many products, including cereals and grain products in order to afford protection to French industry under the abnormal conditions of the time. For most products this system soon gave way to a system of tariff coefficients by which the specific duties were multiplied by coefficients worked out on an automatic basis designed to stabilize the protective effects of the rates, though the earlier restrictions continued some time longer for agricultural products. From 1921, however, prohibitions and licensing of imports of agricultural products ceased, and in succeeding years, the coefficient system became applicable also to them.

On April 6, 1926, the duties on practically all products were increased by 30 per cent, but the coefficient system was continued. On August 14, 1926, a new law was passed whereby the duties then payable under the coefficient system plus the 30 per cent increase of April 6 were increased by a further 30 per cent. The result of these measures was a general increase in the protection of French industries, including agriculture. In 1927, France negotiated a new commercial treaty with Germany and the government took that occasion to stabilize the tariff schedule, with the rates generally raised above earlier levels. In this revision, increased duties on agricultural products had a prominent place. While there has been no general upward revision in the French tariff since 1927, the duties on a wide range of commodities, including farm products, have been increased sporadically from time to time. A reference to some of the outstanding tariff changes during the past year (1931) will serve to indicate the current trend in France.

On February 10, 1931, the duties on sugar and sugar products were materially increased. The new rates were not announced until April 15 but were made retroactive to February 10. The increase applied to raw and refined sugar, molasses, confectionery products, condensed milk containing sugar, and to fresh and dried sugar beets. On July 16 the general rates on sugar were doubled. Up to that time both the maximum and the minimum rates on sugar were the same. On refined sugar, the maximum rate (which applies to sugar from the United States) was increased from 170 to 340 francs per 100 kilos ($3.02 to $6.04 a 100 pounds). Meanwhile, on March 27, 1931, the duties had been materially increased on live hogs, fresh and chilled pork, salted bacon (in raw state), bacon, hams, ribs, and a number of manufactured pork delicacies, following several upward revisions in the rates on pork and pork products of earlier date. On October 8, 1931, the duty on hops was increased from 250 to 800 francs per 100 kilos ($4.45 to $14.22 a 100 pounds) under the maximum tariff and from 125 to 400 francs per 100 kilos ($2.22 to $7.11 a 100 pounds) under the minimum tariff. On April 21, 1932, the French import duties on dried prunes were doubled. The new minimum rates of duty on dried prunes, applying to imports from the United States, are as follows: on prunes packed 80 or less per half kilo, and on prunes in boxes or cases, whatever the size of the fruit,

160 francs per 100 kilos gross ($2.84 a 100 pounds); on all other dried prunes, 120 francs per 100 kilos gross ($2.13 a 100 pounds).

The duties on practically all grains and grain products have been revised upward on numerous occasions in recent years, and the year 1931 saw further increases in them. The minimum duty on wheat, for example, has been increased from 19.6 cents per bushel on January 1, 1927, to 85.4 cents per bushel at the present time (July 1, 1932), this latter rate having become effective on May 22, 1930. This rate applies to wheat from the United States. Until July 16, 1931, the minimum and general rates on grain and grain products were the same. On that date a new law increased (in most cases doubled) the general rates on a long list of products, including grain and flour, but left the minimum rates unchanged. The general rate on wheat is now $1.71 per bushel. This same law also increased the general rates on certain live animals and on eggs. On April 28, 1931, the duty on rye and rye flour was increased from 21 to 35 francs and from 35 to 70 francs per 100 kilos (from $0.21 and $0.35 per bushel and from $0.62 to $1.24 per 100 pounds) respectively. As mentioned above, the general rate on rye and rye flour was the same as the minimum rate until July 16, 1931, when the general rates were doubled.

As a further defensive measure against foreign competition the French Government on November 16, 1931, established a system of so-called "compensatory exchange surtaxes" by means of which a special duty or tax is imposed on all goods imported from countries with depreciated exchange. The amount of the special compensatory tax depends on the extent of the exchange depreciation in the country of origin. It is to be at a certain percentage ad valorem. Up to the middle of January 1932, the exchange surtax had been applied to thirteen countries.

2. Milling regulations - In common with several other European countries France has been attempting for several years to control and regulate the competition of foreign wheat in the domestic market by limiting the amount of imported wheat that may be used in the manufacture of bread flour. The beginning of the present regime of milling restrictions in France dates back to the enactment on November 30, 1929, of an enabling act giving the government the authority to compel millers to use a fixed percentage of domestic wheat in their milling activities. In accordance with this act the French Government on December 15, 1929, prohibited all millers from using more than 3 per cent foreign wheat in the manufacture of wheat flour. This percentage has been changed from time to time in accordance with the domestic supply and price situation. At the close of 1931 it was 3 per cent; but it was subsequently increased at short intervals until, as late as June, 1932, it stood at 50 per cent. It should be noted that this law applies to foreign wheat and not to wheat imported from the French possessions in North Africa. Wheat from the latter areas is subject to special quota restrictions (see Import Quotas).

FRANCE: Fixed milling percentages for domestic and foreign wheat, 1929-1932 a/

Date of change	Percentage requirements	
	Domestic	Foreign
	Per cent	Per cent
December 15, 1929	97	3
June 26, 1930	90	10
April 15, 1931	85	15
April 18, 1931	80	20
April 28, 1931	75	25
June 17, 1931	70	30
July 1, 1931	75	25
July 4, 1931	80	20
July 10, 1931	85	15
July 25, 1931	90	10
November 24, 1931	97	3
January 30, 1932	90	10
February 9, 1932	85	15
February 12, 1932	80	20
February 24, 1932	75	25
March 16, 1932	70	30
March 21, 1932	65	35
March 26, 1932	60	40
April 2, 1932	55	45
May 6, 1932	60	40
May 24, 1932	55	45
May 28, 1932	50	50
June 17, 1932	55	45

a/ There are no fixed milling percentages for rye or for wheat and rye flour.

Notwithstanding this rigid control over the amount of foreign wheat that can be used in milling, considerable quantities are said to have been used in excess of the stipulated percentage. The original law applied only to wheat used in the manufacture of flour, and all wheat declared for a purpose other than human consumption (animal feed, seeding, etc.) could be imported freely. It was found that much of the wheat imported in this manner found its way to the mills and was used for mixing with domestic wheat. In order to strengthen the enforcement of this device the government on November 10, 1931, issued a decree requiring that all wheat imported into France for purposes other than for human consumption be colored so as to render it impossible for use in the manufacture of flour. Moreover, the entire trade in wheat and wheat flour has now been placed under a licensing system whereby imports cannot be made except under licenses issued by the Government (see import licensing).

3. Import quotas - Meanwhile France had already begun to fix definite quotas on other agricultural (as well as industrial) products. These quotas were fixed, however, in absolute amounts rather than on the percentage principle employed for regulating the imports of wheat. From September

30, 1931, the Government was authorized to set definite quotas on imports. Among the various agricultural products for which such quotas have been established by subsequent decrees are: livestock, fresh, chilled and frozen meats; prepared and canned meats; butter; milk, cheese; condensed milk; poultry and poultry products; sugar; hops, flax; green peas and beans; fresh carrots and fresh tomatoes.

No separate quotas were fixed for particular countries at first, the quota limitation applying only to total imports that might be brought from all sources. After October 9, 1931, however, when the list of agricultural products subject to quotas was greatly lengthened, the manner of enforcing the quotas was modified. Special quotas were then fixed, for the countries most concerned, a residue being left for other countries. Under that system no individual licenses were issued, and imports were received as long as the quota was not exhausted.

Though the imports of wheat from the French possessions in North Africa are exempt from the general milling percentage restrictions applying to foreign wheat, the amounts that may be imported from those areas are regulated by legislative procedure. Quotas are established for Algeria, Tunis, and Morocco and these amounts may be imported into France free of duty. Once each year, usually late in May or early in June, the French Government estimates the total amount of wheat which may be imported from these areas free of duty. When this amount has been determined decrees are issued specifying the exact amounts that may be imported during specified periods from each of the three areas. Although, once in the French market, this wheat takes the same status as domestic wheat so far as the general mixing regulations are concerned, article 5 of the law of November 30, 1929, (see Milling Regulations) contains the provision that the French Minister of Agriculture can determine by decree the percentage of "hard" wheat of Algerian, Tunisian and Moroccan origin to be used compulsorily by manufacturers in making "semolina and such wheat preparations as noodles, spaghetti and all kinds of Italian paste".

4. Import licensing - In general it was found that the quota system had the grave disadvantage of producing a rush of imports at the beginning of a quota period. Accordingly, by a decree of November 19, 1931, a system of licensing for imports of agricultural products was authorized. Of its application to wheat and wheat and rye flour, mention has already been made. Subject to certain exceptions to be determined by a special committee, importers must now first obtain a license before they can import any of the products "to be designated" as subject to the licensing requirement. These licenses are to be issued so as to permit imports in proportion to actual imports during the period January 1, 1930 to September 30, 1930. The new measure, therefore, is a combination of the quota and import license plan. The law contains no provisions as to the countries from which the commodities may be imported (except that the national quotas fixed before the new system was instituted are still in force for the products to which they were made applicable), but discrimination between foreign countries is possible, since the application for a license must contain full particulars as to origin, etc.

As already indicated under "milling regulations" the French Government found it necessary to augment the extent of the control which it was exercising over the import trade in cereals. Accordingly on November 11, 1931, the government issued a decree stipulating that until further notice importers and millers could not purchase foreign wheat except under a license granted by the Department of Agriculture. The new decree also provided that the quantity of wheat imported should not exceed that mentioned in the license and that importers could sell foreign wheat only to millers. The importer must be able to account for the wheat at all times either by showing that it is still in his warehouse or by showing a miller's license to account for its sale. The millers, in turn, are prohibited from selling foreign wheat except by special authorization of the Minister of Agriculture. They must at all times be prepared to account for the quantity purchased either by showing that it is still in their possession or has been milled in accordance with the quota law of November 30, 1929.

A further obstacle to the sale of foreign bread-making grain in France was created by the French governmental decree of February 14, 1932, which established a system of import licenses and restrictions in regard to the importation and sale of wheat and rye flour similar to that employed for wheat. Such flour can be imported only when import permits have been secured under regulations prescribed by the French Department of Agriculture. After importation the flour may be sold only to a miller or baker. Such foreign flour may not be sold or used for bread making or for other alimentary purposes except in proportion to the established milling quota for foreign grain. (See "Milling regulations" above.) It is stated that the purpose of these permits is to facilitate the enforcement of the milling regulations and not to restrict imports from any particular country by refusing to issue an import license.

As an additional measure of protection to the French export industries the government decreed on December 3, 1931, that importers must secure a special license for imports from countries maintaining any sort of control over their exchange. It was held that the official control over exchange by various countries was acting disadvantageously to the French export trade and that French exporters were encountering difficulties in collecting payments for merchandise sold to those countries. The purpose of this special license requirement, therefore, is to protect the interests of French exporters in countries where such exchange control may interfere with prompt payment for French exports. A second article in this decree specified that interministerial decisions would designate the countries to which these conditions would apply. The only country for which such licenses is required up to the present time (April, 1932) is Estonia.

5. Flax and hemp subsidies - By laws enacted on July 5, 1931 and March 2, 1932, respectively, the French Government subsidizes the domestic flax and hemp industries. Intended to encourage French production and manufacture of flax, the first law provides for an annual credit of 60,000,000 francs ($2,400,000) for six years, to be distributed annually in the form of premiums to manufacturers of flax of local origin. This in-

dustry has been in a very unsatisfactory condition since the war, owing largely to competition from Russia, and the law was expected to aid in placing it once more on a sound economic basis. Similarly, the hemp law of March 2, 1932, provides for an annual appropriation for the encouragement of hemp growing.

The law of July 5, 1931, provides for the payment of two premiums, one for production and one for export. The production premium for the twelve months ending July 15, 1932, is 3.90 francs per kilo (7 cents a pound) of fiber. The premium, however, was not to be paid if the price of No. 4 first quality, ground-retted Russian flax on the Lille Flax Exchange exceeded 6.60 francs per kilo (12 cents a pound). While the law of July 5, 1931, also provided for the payment of an export premium on unmanufactured flax, the amount of the premium was not fixed until December 24, 1931. On that date a Ministerial Order placed the export premium at francs 2.60 per kilo (4.6 cents per pound). The export premium will be distributed to the growers by the agricultural associations. In case the grower does not export directly the middleman must make his application for the premium through an agricultural association and prove that he has already paid at least two-thirds of the export premium to the grower.

Under the law of March 2, 1932, a fund of 6 million francs ($240,000) will be appropriated annually for six years for the encouragement of hemp growing. This fund will be used for paying production premiums to hemp growers, the amount of which has not yet been determined. A central Board of Control, consisting of officials and representatives of the growers and hemp spinners, will administer the distribution of the premiums. The law also provides for the obligatory utilization of a certain percentage of domestic hemp in manufacturing. This percentage has not been fixed as yet. The area planted to hemp in France has been declining steadily since the war due to foreign competition from Italy, Belgium, and British India. The new legislation is designed not only to prevent the abandonment of hemp growing in France, but also to protect the farm workers who find gainful occupation during the winter months in the various manipulations such as retting, dressing and stripping, to which hemp must be subjected in the process of harvesting and preparation for the mill.

6. <u>Sugar price maintenance</u> - Another instance of a recent attempt in France to stabilize the price of an agricultural product is afforded in the case of sugar. In this case, the government was not directly involved, but its influence in encouraging the adoption of the plan by the various interested parties was a considerable factor. A record sugar-beet crop in 1930 resulted in an unusually heavy carryover of refined sugar. In order to maintain prices during 1931 in the face of this surplus, beet producers and sugar manufacturers entered an agreement whereby the factories withdrew 170,000 metric tons of sugar from the market and the growers reduced their 1931 beet acreage by 14 per cent. As an additional aid to the domestic sugar beet industry the French Government on December 8, 1931, issued a decree limiting the importation of sugar from December 5, 1931, to August 31, 1932, to 32,000 metric tons.

7. Protection of chicory growing by tariff and mixing regulations - In a number of European countries ground chicory root is employed in coffee making for replacing a more or less high percentage of pure ground coffee. This usage has made possible an important cultivation of chicory, primarily for this purpose, in Northern France and Belgium. At the present time French growers of chicory root for grinding purposes are in a difficult position. Owing to their relatively high production cost, it has been impossible for them to compete with the Belgian chicory even on the French market. Furthermore, the French tariff rate cannot be increased because of the existing commercial treaty with Belgium. In view of the fact that soil conditions do not permit chicory growers to shift to the cultivation of other products the French Government on November 10, 1931, prescribed by decree that manufacturers of ground chicory must use not less than 90 per cent of French chicory in their product.

8. Government aid to the hop industry - Special protection to the domestic hop industry in France was provided for in a law which became effective on October 9, 1931. This law raised the duty on imported hops to prohibitive levels but established a quota which might be imported at a reduced rate of duty. The amount of the quota is supposed to represent the amount of hops which cannot be supplied by domestic producers. While it is maintained that the law was not intended to be discriminatory it appears that Czechoslovakia alone can ship hops into France under the reduced rates of duty, since it is the only country which now has an organization of the hop trade capable of fulfilling the imposed conditions. In the other countries that export hops to France, such as Belgium and Germany, as well as the United States, the hop trade would have to solicit special government administrative measures in order to obtain the necessary certificates of origin, etc., before being able to share the contingent which may be imported at the reduced rate of duty.

The law of October 9, 1931, increased the import duty on hops from 250 to 800 francs per quintal ($4.44 to $14.22 per 100 pounds) general, and from 125 to 400 francs per quintal ($2.22 to $7.11 per 100 pounds) minimum. The decree also provides that a certain quantity of hops may be imported at a rate of 200 francs per quintal gross weight ($3.56 per 100 pounds) on condition that the hops are packed in sealed containers on which trade mark and origin are indicated, and that the shipment is accompanied by a verification certificate controlled and guaranteed by the government of the country of origin. A Supplementary Ministerial Order, effective October 9, 1931, fixes a contingent of 1,984,000 pounds which can be imported at the reduced rate during the twelve months ending October 9, 1932. Importers have to obtain an import license in order to import under this special privilege. The quantity which may be imported at the reduced rate will be fixed each year in accordance with the quantity and quality of the home crop and the needs of the brewing industry.

9. Price maintenance for domestic leaf tobacco - Not only the importation and sale but also the production of tobacco is rigidly controlled and regulated by the French Government. On December 23, 1931, the government announced the prices it would pay for domestic leaf tobacco of the

1931 crop. The announcement listed the prices that would be paid for tobacco from each producing area, by variety, quality, and grade. These are too detailed to warrant publication herein. In general, the price is fixed for first quality leaf from each region. The prices for the other qualities in that region are then given in percentages of the price of the first quality.

10. Sanitary restrictions and prohibitions - During March, 1932, certain regulations were adopted in France pertaining to the importation of fresh fruit into that country. Briefly, these prohibit entry of fruit from the United States, Australia, Canada, China, Japan, New Zealand, and all other countries where San Jose scale exists, unless it is accompanied by a sanitary certificate, signed by an authorized government inspector in the country of origin, attesting that the fruit is healthy and free from diseases, insects, and other injurious animals likely to be transmitted to French farms or orchards and that the fruit inspected is free from the San Jose scale. All fruits except citrus are also subject to sanitary control on arrival in France and infested lots will be either destroyed or reshipped. Fruit imported from countries other than those affected by the decree must be accompanied by a certificate of origin. The transit of fresh fruits through France is permitted except in bulk. The entry, or in transit entry, of fruit into France can take place only through the ports of Havre, Bordeaux, Marseilles, and Dunkirk and through the customs office in Paris.

France is normally one of the largest producers of apples and pears in the world and prior to the 1928-29 marketing season exports of these fruits were much larger than the imports. However, during the three seasons, 1928-29 to 1930-31, imports of apples averaged about 2,000,000 bushels against exports of 750,000 bushels. Pear imports in this period averaged around 400,000 bushels and exports, 200,000 bushels. In short, in this period France became a net importer of apples and pears. This shift was owing to the smaller French crops, particularly the 1930 crop, and was accompanied by increased shipments of American apples and pears to France.

Separate figures are not available showing the importation of apples into France by countries during this period, but United States exports to France will serve to show the trend during these years. In 1928-29 United States apple exports to France amounted to 61,500 barrels and 80,000 boxes. In 1929-30 shipments dropped off, but they increased sharply in 1930-31, with the small French crops, to 131,000 barrels and 677,000 boxes. The French apple and pear crop in 1930 amounted to only 66,000,000 bushels or less than half a normal crop. In 1931 the crop reached 143,000,000 bushels but the American production was also large, especially apples, and instead of shipments from the United States declining they increased about 56 per cent over 1930-31. Up to March 1, 1932, apple shipments had amounted to 364,000 barrels and 576,000 boxes. Consequently, the heavy French imports this season have offered more competition to French fruit than in former years. The situation was further aggravated by the large quantity of low quality fruit which was landed in France and which competed directly with domestic stocks.

11. Subsidization of olive growing - A law of April 7, 1932, provides for an annual fund of 15 million francs (around $600,000 at par) to be spent for the subsidization and the encouragement of olive growing. The subsidy will be distributed in the form of premiums per tree. The law provides that all trees, whether productive or non-productive, will receive a premium each year, under the condition that they are properly taken care of. The amount of the basic premium will be fixed every year by special decree of the Ministry of Agriculture. Twice this basic premium will be paid during ten consecutive years in the case of trees which are cut close to the ground and of which the re-growth is trimmed in such a way as to assure future productivity. Three times the basic premium will be paid during fifteen consecutive years for every newly planted tree provided that the proprietor plants at least 25 trees at once in normal distances.

GERMANY

In Germany government intervention in support of domestic agriculture has long been an outstanding phase of national economic policy. For many years the government has sought to maintain and strengthen the position of agriculture in the national economy. As far back as 1879 Germany returned, after a period of virtual free trade, to the policy of agrarian protectionism which has persisted with growing intensity since that time. Agricultural price-supporting measures - at least as exemplified in the tariff - are therefore by no means a recent development in Germany. In recent years, however, - and particularly since the collapse of prices in 1929 - the measures adopted in support of prices of agricultural products (as well as other forms of agrarian relief) have been more numerous, more varied, and (barring, perhaps, the period of the World War) more drastic than at any previous time. Not only have tariffs on agricultural products reached unprecedented levels, but in addition a great variety of other forms of restriction on imports, as well as aids of other sorts, has come into existence. Because of the extent to which she has resorted to such measures, and also because of her actual and potential importance as a market for imported agricultural products, Germany is accordingly of outstanding importance among the countries included in this survey.

At the present time (May, 1932) German government intervention on behalf of agriculture includes a high protective tariff; milling and mixing regulations designed to check imports of bread grains and various other farm products and to foster consumption of home-grown products in place thereof; an "import certificate" system designed to facilitate exports of certain agricultural products under the system of high tariffs and to equalize the benefits of the tariff in deficit and surplus areas; monopolistic control of corn imports; participation in the international agreement for restriction of sugar exports (the so-called Chadbourne Plan) and internal organization of the sugar beet industry for that and other purposes; and many other activities, some of them not, however, of a price-supporting character.

1. Tariffs - Germany has been one of the foremost exponents of agricultural protectionism since her transition from a grain-exporting

to a grain-importing country during the sixties and seventies of the last century. During the free trade era of the middle nineteenth century she had reduced her duties on grain until, by 1865, she had definitely abandoned them, along with most of her other agricultural duties. But with the shift of her grain farming to an import basis in the years that followed, and with the rapidly growing competition from the newer agricultural regions of the world, she returned to a policy of agricultural protection - at a time when her growing dependence upon imports promised to make tariff duties more effective in raising prices of home-grown grain than they could have been previously. In 1879 duties were re-imposed on grain, and from that time until the World War (except for a temporary recession in the nineties) the policy of agrarian protection was intensified.

During and immediately after the War tariff protection was displaced by more drastic forms of trade control. During war-time all foreign commerce was subjected to direct administrative control; and at the end of the War the Versailles treaty deprived Germany of freedom of action in shaping her economic policy. Until the end of 1925 her tariff-making powers were severely restricted; and in order to control foreign trade she had to employ other means, namely, a system of import and export licensing. In October, 1925, however, the entire system was displaced by a highly protective tariff wall, which constitutes the basis of the present tariff regime of Germany. Notable increases in tariff rates were introduced in the case of important agricultural products, including livestock, animal and vegetable oils, sugar, margarine, cheese, and condensed milk; and a series of less comprehensive measures restricting imports followed during the next four or five years. In 1929, livestock products and grains received particular attention.

The culmination of the whole movement for tariff protection came, however, in the spring of 1930. On April 18 a highly protective agrarian customs program went into effect. The Federal Government was accorded unprecedented and far-reaching powers in changing agrarian customs tariffs for the purpose of maintaining domestic grain prices at stipulated high levels. The Government was empowered to increase or decrease the duties on rye, wheat, barley, oats and peas in accordance with fluctuations in the prices of these products. At first this flexible control was to extend only until March 31, 1931; but by a law dated March 28, 1931, the authorization was extended for another year, until March 31, 1932. The law of March 28, 1931, extended the authority for flexible revision of duties to cover all agricultural products in order to regulate competition from foreign sources. It also authorized the Government to modify the duties on breadstuffs and other grains and beans and peas so as to check increases in the prices to consumers.

When the Government was first given extensive tariff rate-making powers (on April 18, 1930), the rates on livestock, bread grains, flour, barley, oats, eggs, sugar beets, hops, grapes, breeding horses, poultry, tallow, and wines, were immediately increased, and the annual import contingent on duty-free frozen meats was abolished. Thereafter, no extensive changes were made in the German import duties until May 10, 1931, when the duties were increased on live hogs, fresh meat, bacon, lard, lentils, beans, peas, lupines, vetch and oats. On individual items, however, notably on wheat (of which more will be said below), there were changes in the duties from time to time during this period.

On January 19, 1932, the Government was authorized to increase import duties against countries with depreciated currencies and against those discriminating against German goods. A German presidential decree, effective that date, authorized the Government to establish compensatory duties to be levied on imports from countries with currencies below gold parity. The decree also authorized increased duties on imports from countries having no commercial treaty with Germany or from those discriminating against German exports. The application of such duties could be postponed, where treaty negotiations are pending, for a maximum of six months after promulgation of changes.

Simultaneously with the issuance of the decree of January 19, 1932, it was announced that there would be an increase in the duty on butter. Despite a comparatively high duty, unusually large imports of butter had come into the German market. Within the space of a few months prices had fallen by over 30 per cent. The provisions of the new decree in regard to butter are as follows: (1) On butter imports from countries having a most-favored-nation treaty with Germany and having a currency which is not depreciated, the duty is fixed at 50 reichsmarks per 100 kilos (5.4¢ a pound) up to the amount of the contingent and at 100 reichsmarks per 100 kilos (10.8¢ a pound) on the amount in excess of the contingent. (2) On butter imports from countries having a most-favored-nation treaty with Germany but whose currency is below gold parity, the duty is fixed at 50 reichsmarks (5.4¢ a pound) on the amount of the contingent and at 136 reichsmarks (14.7¢ a pound) on the amount in excess of the contingent. (3) On butter imports from countries having no trade treaty with Germany, the duty is fixed at 170 reichsmarks per 100 kilos (18.4¢ a pound).

Notwithstanding the large measure of administrative rate-making authority possessed by the Government after April, 1930, the only revision of import duties up to January, 1932, that may be classified as a change of major importance was that of May 10, 1931, already referred to above, affecting live hogs, pork, bacon, lard, and mutton, etc. That a more extensive use of its rate-making powers was not made by the Government was due to several causes. In the first place, duty rates were already at a very high level, being prohibitive in some instances. Secondly, the Government was forbidden to increase rates when such increases would raise the index number of the cost of living. Last and most important, the Government had found, and was applying, other devices for protecting agriculture which promised to be more effective than duties alone. Of these latter more will be said in the sections that follow.

2. Tariff and milling restrictions on wheat imports - At the present time (May, 1932) wheat may be imported into Germany under three rates of duty. First there is the basic duty of 250 reichsmarks per metric ton ($1.62 a bushel). Very little wheat, however, is imported at this rate since the Government from time to time has permitted importation at reduced rates upon the fulfillment of certain conditions. Second, there is the present reduced rate, applicable from May 1, 1932, to June 30, 1932, of 180 reichsmarks per metric ton ($1.17 a bushel) on a fixed contingent of wheat imported by mills that were using imported wheat during the second quarter of 1930. Lastly, there is the very low duty of 20 reichsmarks per metric ton (13¢ a bushel) applicable to wheat imported by certain mills on the basis of import certificates issued on German wheat exports under a

so-called Wheat Exchange Plan. Similarly varied is the situation in regard to the mixing and milling regulations. The basic compulsory quota for domestic wheat is at present (June, 1932) 97 per cent. This, however, has been modified for certain mills under certain conditions. At the present time all mills importing wheat at the reduced duties of 180 and 20 reichsmarks per metric ton are permitted to use as low as 70 per cent domestic wheat and as high as 30 per cent foreign wheat.

The foregoing is, very briefly, the net of the situation as of June, 1932. It is the outgrowth, however, of a series of changes in the German tariff and milling restrictions on wheat during recent years; and it will be necessary to trace these changes in order to make the present situation clear and to illustrate the variety of trade-control measures by which it has been sought to support prices of domestic wheat.

As already noted, Germany has for many years levied a tariff on wheat as a phase of her general policy of protecting home agriculture. The present policy of bolstering domestic wheat prices by a combination of tariff and milling restrictions on imports began, however, with the establishment of the "Wheat Milling Law of July 4, 1929", and the subsequent enactment of the "Tariff Revision Law of April 15, 1930." The original wheat milling law of July 4, 1929, authorized the Government to limit the imports of grain to a fixed proportion of the total milling requirements by compelling the use of a specified percentage of domestic wheat in milling. The "Tariff Revision Law of April 15, 1930" further strengthened the wheat control policy by giving the Government authority to revise the duty on wheat so that the yearly average price on the Berlin Produce Exchange would not be less than 260 reichsmarks per metric ton ($1.69 a bushel). Thus the Government was empowered to maintain a minimum yearly average price for wheat and to that end to tighten or to relax the import restrictions from time to time as circumstances might require.

For present purposes an account of the evolution of the wheat price and trade control measures now in force in Germany may begin with 1929. With the rapid downward trend of wheat prices during 1929 the Government initiated a new series of restrictions on imports. On July 10, 1929, the duty was increased from 50 reichsmarks to 65 reichsmarks per metric ton (32¢ to 42¢ a bushel). On August 1, under authority of the Wheat Milling Law of July 4, the minimum percentage of domestic wheat to be used in mills was fixed at 40 per cent. Toward the end of September, 1929, prices showed a declining tendency, and on October 1, a new decree was issued obliging mills to use 50 per cent domestic wheat in milling during October and November instead of the 40 per cent previously in effect. A subsequent extension of the compulsory quota of 50 per cent from the original date of expiration at the end of November to June 30, 1930, together with an increase in the tariff on wheat on February 10, 1930, from 65 to 95 reichsmarks per metric ton (42¢ to 62¢ a bushel), served to stabilize prices at a higher level during the late months of 1929 and early in 1930. On March 27, 1930, the duty was further increased to 120 reichsmarks per metric ton (78¢ a bushel), and on April 25, 1930, it was again increased to 150 reichsmarks per metric ton (97¢ a bushel).

In May, 1930, the Minister of Agriculture announced that the compulsory quota of 50 per cent domestic wheat would not be reduced until flour mills were unable to secure sufficient quantities of domestic wheat. By the latter part of June, 1930, prices of German wheat in Hamburg had risen to between 313 and 331 reichsmarks per ton ($2.03 and $2.15 a bushel). At the end of June, when stocks of domestic wheat were practically exhausted and the new crop was not yet available, the Government reduced the compulsory milling percentage for July from 50 to 30 per cent. As new crop wheat became available in July, prices tended downward until, at the beginning of August, the Hamburg market was offering 274 reichsmarks per metric ton ($1.78 a bushel) for German wheat. On August 1, therefore, the Government increased the compulsory milling quota from 30 to 40 per cent, and on August 15 further increased it to 60 per cent. Domestic wheat was then coming on the market in increasing quantities, and prices in Hamburg declined to as low as 230 reichsmarks per metric ton ($1.49 a bushel) towards the end of September. Accordingly, on September 28, the duty on wheat was increased from 150 reichsmarks to 185 reichsmarks per metric ton ($0.97 to $1.20 a bushel), and on October 1, the compulsory milling quota was raised to 80 per cent.

Prices of German wheat in Hamburg during October, 1930, remained low in comparison with the minimum average which had been set by the Government ranging around 237 reichsmarks per metric ton ($1.54 a bushel). Accordingly, on October 26, 1930, the duty on wheat was increased from 185 to 250 reichsmarks per metric ton. This increase in the duty was the fifth upward revision during 1930 and brought the duty up to more than twice the prevailing world-price level for wheat. The new duty in fact was even higher than the price of domestic wheat on the German market. Subsequently, the compulsory milling quota of 80 per cent was extended up to the end of March, 1931. As in the preceding year, it was announced that the milling quota would not be reduced until the gradual exhaustion of domestic supplies had brought about a substantial rise in price. Under the high duty and the high milling quota, prices of domestic wheat increased until by January, 1931, they were considerably above the 260 reichsmarks per metric ton which the Government had set nine months earlier as the minimum average to be maintained. No reduction of the duty was ordered, as it was felt that a considerable further rise would be necessary to offset the lower prices which prevailed during the earlier months of the season. But the compulsory milling quota for February and March, 1931, was lowered from 80 to 75 per cent; and it was announced that the quota from April 1 to May 31 would be 65 per cent, and from June 1 to July 31, 50 per cent.

Meanwhile, however, stocks of German wheat declined so rapidly that the Government became concerned lest bread prices begin to rise. In order to prevent this, it was decided to lower the milling quota for April and May to 50 per cent instead of 65 per cent previously ordered. Finding the growing shortage still inadequately relieved, the Government next turned to a new measure of relaxation of import barriers. On May 15, 1931, it issued a decree whereby all mills which used foreign wheat during the quarter

April-June, 1930, were allowed to import during the succeeding month (i.e., up to June 16, 1931,) an amount of wheat not to exceed 20 per cent of the total quantity of wheat (foreign and domestic) milled during the second quarter of 1930, at a reduced duty of 200 reichsmarks per metric ton ($1.30 a bushel). A second decree, dated June 11, 1931, extended to July 15, the period during which the reduced duty would apply. A third decree of July 14, further extended the period to July 31; but the amount of wheat to which the reduced duty was to be applied during this new extension was decreased from 20 per cent to 5 per cent of the total foreign and domestic wheat milled during the second quarter of 1930.

At the beginning of August, 1931, when the new German wheat crop was coming on the market, all imported wheat once more became dutiable at the basic rate of 250 reichsmarks per metric ton ($1.62 a bushel). Moreover, the compulsory milling quota was increased for the first 15 days of August from 50 to 60 per cent. On August 16, 1931, a decree went into effect increasing the quota to 97 per cent, to remain in effect until July 31, 1932. Up to May, 1932, however, there had been two important mitigations of this requirement, the first adopted simultaneously with the establishment of the original 97 per cent quota on August 16, the second adopted on May 1, 1932.

The first mitigation was effected through the so-called "Wheat Exchange Plan," adopted on August 16, 1931. This plan made it possible for German mills to use considerably larger percentages of foreign wheat and to bring it in at a greatly reduced rate of duty, provided an equivalent amount of domestic wheat were exported, the purpose being to facilitate the exchange of domestic soft wheat, of which Germany normally produces a surplus, for hard wheat which she needs to import for blending purposes in the manufacture of flour. The mechanism of the plan involved employment of the so-called "import certificate system", whereby so-called import certificates, tenderable in lieu of cash in payment of import duties on wheat (or other specified products), were issued to exporters of wheat (or of other products selected for inclusion in the system), a scheme which was already a familiar feature of the German tariff system. (For further details concerning the import certificate system, see same title, below).

Under the Wheat Exchange Plan it was provided: (1) that on all wheat imported before August 1, 1932, against import certificates issued on wheat exported prior to the end of the calendar year 1931, the duty payable would be only 20 reichsmarks per metric ton (13¢ a bushel); and (2) that although the basic milling quota established simultaneously with the adoption of the Exchange Plan was fixed at 97 per cent, mills importing wheat under the Exchange Plan might use as low as 70 per cent domestic wheat in their milling mixtures, provided that of the 30 per cent foreign wheat used, 27 per cent consisted of imports counterbalanced by the same amount of exports and only 3 per cent consisted of wheat not so counterbalanced. Thus any mill which could acquire enough import certificates provided it were a member of the milling consortium subsequently formed

(see next paragraph), was enabled to import up to 27 per cent of its total requirements at the low duty of 20 reichsmarks per ton (13¢ a bushel), and a further 3 per cent of its requirements at the full duty rate of 250 reichsmarks per ton ($1.62 a bushel).

Early in September, 1931, the Deutsche Getreide-Handelsgesellschaft (German Grain Trading Company, see section 5, below) and the United States Grain Stabilization Corporation concluded a contract for the purchase by the Grain Trading Company of 7,500,000 bushels of American hard wheat, delivery of which was to be made in nine monthly shipments. The quantity purchased was considerably less than the German import requirements for the 1931-32 crop year, so that there still remained a large margin to be filled by imports from other sources. To facilitate the utilization of the American wheat purchased from the Grain Stabilization Corporation (an agency of the U. S. Federal Farm Board), a Consortium of German wheat mills was founded in Berlin on October 19, 1931. All mills using foreign wheat were urged to become members of this Consortium. By a decree dated October 27, 1931, it was stipulated that only mills which were members of this Consortium would be allowed, under the Wheat Exchange Plan, to use foreign wheat up to 30 per cent of their total requirements.

Moreover, the members of the Consortium were required directly or indirectly to purchase 50 per cent of their requirements of foreign wheat from the German Grain Trading Corporation in the form of hard winter wheat with the added proviso, however, that no mill would be obliged to use hard winter wheat in the ratio of more than 10 per cent of the total quantity milled. Thus the net of the situation was apparently this: That those mills which were using anywhere between 20 and 30 per cent foreign wheat in their milling mixtures were not compelled to use Farm Board wheat in the ratio of more than 10 per cent of their total requirements; whereas those mills using foreign wheat up to 20 per cent of their total requirements had to purchase no less than half of it from the Grain Trading Corporation. Only mills belonging to the Consortium were allowed to purchase the Farm Board wheat held by the Grain Trading Corporation.

By the end of March, 1932, very little wheat was being imported at the reduced rate of 20 reichsmarks per ton (13¢ a bushel) because the supply of import certificates issued for that purpose on exports of domestic wheat prior to December 31, 1931, had been practically exhausted. It was estimated at the end of March that Germany would have to import at least 200,000 tons (7,500,000 bushels) more of wheat before the new crop became available.

To meet the situation the Government returned to the expedient of a year earlier. On April 29, 1932, a decree was issued providing that, effective May 1, 1932, the duty on wheat would be reduced for mills which were using foreign wheat during the second quarter of 1930, from the basic level of 250 reichsmarks per metric ton to 180 reichsmarks per metric ton (from $1.62 to $1.17 a bushel), for a quantity of wheat equal to 15 per

cent of the total wheat (foreign and domestic) milled by such mills during the second quarter of 1930. This reduction in the duty on the quantity of wheat specified was to remain valid up to June 30, 1932. Thus any imports in excess of the 15 per cent limitation specified were to pay the full basic rate of duty, except such imports as might still be made on outstanding import certificates under the Wheat Exchange Plan. As the wheat milled during April-June, 1930, by mills using foreign wheat amounted to 700,000 tons, the amount of foreign wheat that could be imported during May and June, 1932, at the reduced rate of duty was only 105,000 tons. This decree applied to all mills, whether or not members of the Milling Consortium.

A second decree, issued jointly with the foregoing on April 29, 1932, had the effect, however, of limiting the benefits of the duty-reduction chiefly to mills belonging to the Consortium. Effective May 1, 1932, this decree reaffirmed the basic milling quota of 97 per cent but provided that mills belonging to the Consortium might use up to 30 per cent foreign wheat in their milling mixtures. Such mills already enjoyed this privilege under the Wheat Exchange Plan; but as the possibility of exercising it vanished with the gradual exhaustion of import certificates needed for importing under the Exchange Plan, this new measure made it possible in practice for them to continue to enjoy the benefits of the 70 per cent quota proviso. Consortium mills were authorized under the decree to operate under the reduced quota of 70 per cent until August 15, 1932, although the period for importing at the reduced duty of 180 reichsmarks per ton was to expire on June 30.

At the present time (May, 1932), the situation, therefore, is apparently as follows: Any mill not a member of the Milling Consortium but which nevertheless used foreign wheat in its milling mixtures in the second quarter of 1930, may import foreign wheat during May and June in an amount not in excess of 15 per cent of the total of all wheat milled by it in the second quarter of 1930, provided such quantity does not exceed 3 per cent of its present milling requirements. In no event, however, may such a non-Consortium mill use more than 3 per cent foreign wheat, whether at full duty rate or at the reduced rate; and in most cases, presumably, this 3 per cent proviso would be the actual limiting factor. For any mill belonging to the Consortium, on the other hand, there is much greater latitude. Such a mill may use imported wheat to the extent of 30 per cent of its current milling requirements. Within this 30 per cent zone the only question is as to the duty to which the imported wheat will be subject. Some of it may be dutiable at only 20 reichsmarks per ton under the Wheat Exchange Plan (plus, of course, the cost of the import certificate) if any old import certificates are still held. Some of it, but not more than an amount equal to 15 per cent of the total amount of all wheat consumed by such mill in the second quarter of 1930, may be subject to a duty of 180 reichsmarks per ton. And if these two categories do not exhaust the full 30 per cent quota, the remainder of the quota may be imported at the full duty of 250 reichsmarks per ton.

The following tables summarize the changes in basic import duties on wheat since 1913 and the changes in the wheat milling quotas since their inception in 1929.

Basic German import duties on wheat, 1913 - 1932 a/

Date	In reichsmarks per metric ton			In U. S. currency cents per bushel (60 lbs.)		
	General	Reduced general	Conventional	General	Reduced general	Conventional
1913:						
Jan. 1 - Dec. 31	75.00	-	55.00	48.62	-	35.66
1914:						
Jan. 1 - Aug. 3	75.00	-	55.00	48.62	-	35.66
Aug. 4 - Dec. 31	Free	-	-	-	-	-
1915 - 1924.......	Free	-	-	-	-	-
1925:						
Jan. 1 - Aug. 31	Free	-	-	-	-	-
Sept.1 - Dec. 31	75.00	35.00	-	48.62	22.69	-
1926:						
Jan. 1 - July 31	75.00	35.00	-	48.62	22.69	-
Aug. 1 - Dec. 31	75.00	50.00	65.00	48.62	32.41	42.14
1927:						
Jan. 1 - Dec. 31	75.00	50.00	65.00	48.62	32.41	42.14
1928:						
Jan. 1 - Dec. 31	75.00	50.00	65.00	48.62	32.41	42.14
1929:						
Jan. 1 - July 9	75.00	50.00	65.00	48.62	32.41	42.14
July 10- Dec. 31	75.00	-	65.00	48.62	32.41	42.14
1930-1932:						
Jan. 1 - Jan. 19	75.00	-	65.00	48.62	-	42.14
Jan. 20 - Feb.10	95.00	-	65.00	61.59	-	42.14
Feb. 11 - Mar.26	95.00	-	-	61.59	-	-
Mar. 27 - Apr.24	120.00	-	-	77.79	-	-
Apr. 25 -Sept.27	150.00	-	-	97.24	-	-
Sept.28 -Oct. 25	185.00	-	-	119.93	-	-
Oct. 26, 1930 to date.........	250.00	-	-	162.07	-	-

a/ The rates given are the basic duties established by law. These rates, as indicated in the text, may have been reduced by special decree from time to time so as to permit imports for specified periods at a lower duty provided certain conditions were fulfilled. Countries having most-favored-nation agreements with Germany (such as the United States) pay either the conventional or the reduced general rates, whichever are lower. When neither conventional or reduced general rates are given, the general rates apply.

German wheat milling quotas, August 1, 1929, to date

Milling period	Domestic	Foreign
	Per cent	Per cent
August 1, 1929 to September 30, 1929....	40	60
October 1, 1929 to June 30, 1930........	50	50
July 1, 1930 to July 31, 1930...........	30	70
August 1, 1930 to August 14, 1930.......	40	60
August 15, 1930 to September 30, 1930...	60	40
October 1, 1930 to November 30, 1930....	80	20
December 1, 1930 to January 31, 1931....	80	20
February 1, 1931 to March 31, 1931......	75	25
April 1, 1931 to June 30, 1931..........	50	50
July 1, 1931 to July 31, 1931...........	50	50
August 1, 1931 to August 15, 1931.......	60	40
August 16, 1931	a/ 97	a/ 3

a/ Mills using foreign wheat imported under the "Wheat Exchange Plan" may grind foreign wheat up to 30 per cent of their requirements, of which 27 per cent may be imported at a reduced rate of duty and 3 per cent at the full rate of duty up to July 31, 1932. A decree of April 29, 1932, effective May 1, provided for a reduction of duties on fixed import contingents as explained in the text above, and permitted mills belonging to the German Milling Consortium, until August 15, 1932, to utilize foreign wheat up to the limit of 30 per cent of their total requirements.

3. Mixing regulations for various products of agricultural origin - Closely akin to the milling regulations are the mixing regulations designed to compel greater utilization of domestic products, or greater use of one kind and less use of another for a particular purpose. There have been numerous instances in which the German Government has sought by official decree to stimulate the utilization of domestic farm products in recent years. In this section reference will only be made to the more important of such attempts that have not been mentioned elsewhere in this report.

In the case of bakery goods, a decree of the German Ministry of Agriculture compelled the admixture of 5 per cent of potato flour with wheat flour during the period from October 16, 1931, to April 15, 1932. As regards beer, German brewers were directed by a decree effective September, 1931, to use smaller percentages of imported hops in beer brewed for domestic consumption. Breweries that used foreign hops during the three-year period, October 1, 1927, to September 30, 1930, were obliged to use domestic hops to the extent of 70 per cent of the average annual quantity of foreign hops used during the period indicated -- this in addition to the quantity of German hops used during the same period. In any event, a minimum of 75 per cent of German hops must be used by such breweries. Establishments brewing for export were exempted from the order.

Since October, 1919, when the German Government monopolized the production and sale of alcohol, the Government has regulated the quantities of alcohol to be made from specified agricultural products, thus assuring a market for certain quantities of farm products in the distilleries. Before the war approximately 80 per cent of the alcohol made in Germany was distilled from potatoes, 15 per cent from grain, 4 per cent from molasses and one per cent from other materials. Potatoes, therefore, formed the basis for the German alcohol industry at that time.

During the war the Government placed restrictions on the use of potatoes for the manufacture of alcohol. As a result alcohol production from corn and other cereals, and the production of synthetic alcohol, increased materially. This tendency continued for two or three years after the war until, in the distilling year ending September 30, 1921, over 11,000,000 bushels of imported corn were absorbed by the alcohol industry. In 1922, however, Germany had a bumper potato crop and farmers complained of lack of markets. Since 1922, therefore, the Government has not only limited the production of synthetic alcohol, because of its competition with the agricultural product, but it has also taken special pains to encourage the increased use of potatoes and other farm products in the distilleries. Thus in 1923, the Government decreed that 60 per cent of the total output of alcohol from agricultural sources could be made from potatoes instead of only 20 per cent as in the preceding year. The German Government under the alcohol monopoly law has the authority not only to fix the amount of alcohol that each distillery may produce but also to fix the maximum quantities that may be made in each distillery from specified raw materials, such as potatoes, grain, and other products.

The Government has attempted to dispose of a part of the alcohol manufactured by the monopoly by compelling all producers and importers of motor fuels to purchase a fixed quota of alcohol. The latest decree in this regard, dated September 28, 1931, effective October 1, 1931, provided that the amount of alcohol to be purchased from the Government monopoly administration by producers and importers of motor fuels was increased from $3\frac{1}{2}$ to 6 per cent of the net weight of all gasoline imported or produced in Germany. The law compelling the use of Government alcohol in connection with motor fuel was originally inaugurated by a decree of July 4, 1930, for the purpose of providing an additional outlet for the alcohol produced by distilleries from German farm products. The compulsory quantity of alcohol to be purchased varies in accordance with the price fixed for alcohol by the monopoly. In case the price is reduced or increased, the alcoholic ratio is likewise raised or lowered by one per cent for each 10 reichsmarks in the price fluctuation.

This encouragement of the consumption of domestic products by domestic industries has also been carried on in connection with the importation of feed barley. In the case of this product, for which Germany is largely dependent upon foreign sources of supply, legislation has been enacted permitting its importation at greatly reduced rates of duty, provided certain quantities of other specified domestic agricultural products are first purchased. The purpose of this legislation is to check the increasing tendency for livestock feeders in Germany to use bread grains as feed-

stuffs -- a tendency which had been resulting in an increase in Germany's dependence on imports of bread grains. At the present time (May, 1932) the basic duty on barley not used for feedstuffs is 200 reichsmarks per metric ton ($1.04 a bushel) and on barley used for feedstuffs 180 reichsmarks ($0.93 a bushel). Until April 19, 1932, these rates applied to all countries but since that date a special super tariff has been imposed on barley coming from non-treaty countries (see below). The Government, however, has for several years permitted the importation of feed barley at a rate much lower than the basic rate provided importers complied with certain specified conditions.

Thus, a decree of September 8, 1930, established a reduced duty on fodder barley effective September 11, 1930, of 6 reichsmarks per 100 kilos (31¢ a bushel), provided the importer gave evidence of the purchase of a prescribed quantity of rye (chemically treated) and of potato flakes from the German Grain Trading Company. The basic duty on fodder barley at that time was 12 reichsmarks per 100 kilos (62¢ a bushel). A decree issued on June 20, 1931, still further reduced the special duty on fodder barley from 6 reichsmarks to 5 reichsmarks per 100 kilos (from 31¢ to 26¢ a bushel), effective June 26, 1931, if evidence was furnished of the purchase of an equal quantity of chemically treated rye, corn, or potato flakes, from the Grain Trading Company. Again on September 23, 1931, a decree was issued providing that for every exportation of bacon a certificate would be given to the exporter which would permit him to import free of duty seven times as much feed barley by weight. In other words, for each 100 pounds of bacon exported, 700 pounds of feed barley could be imported free of duty.

The last reduction in the special duty on feed barley was made in a decree dated November 25, 1931, effective December 1, 1931. This decree reduced the special duty on fodder barley from 5 reichsmarks to 4 reichsmarks per 100 kilos (26¢ to 21¢ a bushel), provided that certain quantities of domestic agricultural products were purchased in accordance with regulations to be laid down by the Government. The order provided that for every 100 kilos of home-grown potato flakes purchased the importer would be permitted to bring in 300 kilos of fodder barley at the new reduced rate of duty, and that for every 100 kilos of home-grown barley purchased he would be permitted to import 200 kilos of fodder barley at the new duty. The native-grown potato flakes and barley, however, must be purchased from the Grain Trading Company. The above decrees were expected to stimulate the importation of feed barley and to check the use of domestic bread grains for feeding purposes.

Recently, the German Government authorized the enactment of a so-called "super-tariff" on grain imports from countries not having commercial treaties with Germany. Thus far, the only exercise of this power has been in the case of barley, under decree of March 14, 1932, effective April 1, 1932. The only important source of supply to which this new law is applicable is Canada. Under the super-tariff, applicable to non-treaty countries, the basic duty on barley not used for feeding livestock is raised from 20 reichsmarks to 25 reichsmarks per 100 kilos ($1.04 to $1.30 a bushel). The basic duty on feed barley is raised from 18 to 20 reichsmarks per 100 kilos ($0.93 to $1.04 a bushel). Moreover, special reductions in the duty will not be extended to imports of fodder barley from

non-treaty countries. In other words, the reduced rate on certificate barley is not recognized in the case of imports from non-treaty countries. Such imports will pay the new non-certificate super-tariff feed barley rate of 20 reichsmarks per 100 kilos (\$1.04 a bushel).

Another example of an attempt by the Government to promote the utilization of a domestic product by legislative action is found in a law which provides for the compulsory utilization of tallow and lard from inland sources for the manufacture of margarine.

4. <u>The import certificate system</u> - Closely coupled with the tariff is the so-called "import certificate system", perhaps more accurately describable as the "export debenture" or "export certificate" system. The system has been applied to a varied and changing list of products throughout most of the period since its inception nearly 40 years ago. At present (May, 1932) it is applied to wheat, rye, oats, barley and legumes; to wheat, rye, and legume flour; and to certain other agricultural products.

In effect, the import certificate system is a kind of export bounty. Upon exportation of the home product to which it is applied, let us say wheat, a certificate or debenture is issued by the Government to the exporter. This debenture is offerable in place of cash for payment of import duties, the total credit arising from a particular shipment depending upon the amount of wheat shipped and the rate of bounty fixed per bushel. Upon receiving the certificate the exporter sells it either to an importer or to a dealer in certificates who resells it to an importer. Since exporters will tend to compete with each other in obtaining wheat, the theory is that most of the bounty paid them will be reflected back to the wheat farmers. At the same time importers of wheat or other goods for which the certificates may be offerable in payment of duties will bid for them what competition for the supply compels them to pay so long as it is something less than the full face value of the certificates, since by obtaining them at a discount just so much will be saved in payment of import duties.

The original introduction of the import certificate system in Germany in 1894 grew out of the inequalities of the supply and demand for grain in the surplus producing areas of East Germany and in the deficit industrial areas of Southern and Western Germany. The high cost of the overland transportation from the producing areas to the consuming areas made it more practical to export wheat from the eastern surplus areas to nearby markets such as Finland, the Scandinavian countries and the United Kingdom, and to import wheat into the deficit areas from the United States, Canada, Australia, Argentina and other foreign exporting countries. The imposition of duties on wheat in 1879 had sufficed only partly to offset the transportation costs from Eastern Germany to Western Germany. Hence wheat continued to be imported into Western Germany and prices in Western Germany were higher than the world market level by almost the full amount of the tariff; whereas in Eastern Germany prices increased by only from a third to a half of the tariff.

It was in order to give more of the benefits of the protective system to grain farmers of Eastern Germany and to producers of certain other

crops that the import certificate system was adopted on April 14, 1894. This law provided that when domestic wheat, rye, oats, legumes, barley, colza, and rapeseed, as well as the products of mills and malt houses, were exported from Germany, "import certificates" would be issued entitling the holder to import, free of duty, within a period not exceeding six months of the date of export, a quantity of such articles corresponding to the customs valuation stated in the certificates. This law also provided that the certificates could be applied to the payment of customs duties on goods other than those enumerated, under conditions to be laid down by the Government. The certificates were transferable and a regular market soon grew up for them. The original law has subsequently been expanded, modified, and revised, but the principle laid down has continued in force at various intervals for various commodities down to the present time. The system was abandoned during the periods of export prohibition and duty-free entry of grain and flour throughout and following the World War; but in 1925 it was restored in the form of a modification of the provisions which had been operative before 1914 in the German tariff law of 1902 (effective March 1, 1906). As modified in 1925 it provided that upon the exportation of rye, wheat, spelt, barley, oats, and pulse in a quantity of at least 500 kilos (1,102 pounds) the exporter was entitled to warrants or import certificates entitling the holder to import duty-free a quantity of one of the foregoing commodities corresponding to the customs value of the certificates. The certificates must be used within a stipulated period, and their value was based on the lowest rate of duty (general or conventional) applicable to the product in question.

Since the restoration of the system in 1925 there have been numerous changes in the list of products to which it is applied. More recently, also, there has been less emphasis placed upon the original purpose of the certificates as an equalizer of tariff benefits for the country as a whole, and more of a tendency to use them in conjunction with the tariff and other import regulations as a means of altering domestic supplies and regulating domestic prices by manipulating the volume of exports and imports. Originally the system involved replacement of exports induced under it by a corresponding quantity of imports, thus leaving total supplies in the country unchanged. During the last few years, however, the system has been largely subordinated to the broad scheme of administrative regulation of imports which has been set up for the purpose of insulating domestic agriculture from the effects of declining world prices. Thus the list of products has been considerably altered; administrative authority to fix higher or lower valuations for the certificates has been granted; and in one instance, namely wheat (see section 2 above; also, see below), a special reduction of the tariff rate was made for imports brought in under import certificate. In general the certificate rates have been increased by nothing like the amount of the tariff increases; and as the import duties and other import restrictions have been disproportionately tightened, the certificates have tended to become a less effective stimulant to exports than formerly. Domestic prices have been held so far above world levels that the certificates have not furnished the same inducement to export as before.

No attempt will be made here to trace all the changes in the system since its restoration in 1925. For present purposes it will suffice to

note the main developments since 1930. On April 15, 1930, the Government was authorized to fix higher or lower valuations for import certificates. On the basis of this authorization the values of the import certificates were raised on rye, barley, oats, live hogs, fresh and frozen pork, and hams. A law of March 28, 1931, extended the validity of this decree to March 31, 1932, after which date, as will be explained presently, the system was revised. Meanwhile the system of import certificates had been applied to exports of a number of other agricultural products, such as cattle, sheep, beef and mutton, these certificates in all cases being negotiable and their value in all cases being applicable to the payment of import duties. The application of the import certificate system to exports of wheat has, since August 16, 1931, been tied up with the so-called "Wheat Exchange Plan", already described in section 2 above, under which wheat could be imported at a greatly reduced rate of duty provided it was brought in under import certificates and thus was offset by an equal amount of exports.

The principle involved in the use of import certificates in conjunction with the Wheat Exchange Plan was likewise extended to rye. On August 24, 1931, the import duty on rye imported before July 1, 1932, was reduced from 20 reichsmarks to one reichsmark per 100 kilos ($1.21 to 6¢ a bushel), provided evidence was furnished by means of a certificate of the exportation of a corresponding amount of domestic rye. Essentially the same principle is involved in the system which has been in effect for bacon and feed barley since September, 1931, whereby for every exportation of bacon a certificate is given to the exporter which permits the free importation of seven times as much barley by weight. (See section 3, above).

By a decree of October 31, 1930, the German Government had suspended, effective November 5, 1930, the issuance of import certificates on the exportation of milling products of wheat and spelt, on malt of wheat and spelt or barley, as well as on groats, semolina, grits, flour, and flakes of barley, and on milling products of oats. A decree of November 17, 1931, effective November 25, 1931, however, reestablished the issuance of import certificates for the exportation of malt, barley, and oats products. The value of these certificates for each 100 kilos exported was fixed at that time as follows: For malt and barley, 10 reichsmarks ($1.08 per 100 pounds); for pearled grain, grits, groats, and flakes of barley, for barley flour, and for milling products of oats, except rolled and crushed oats, 8 reichsmarks ($0.86 per 100 pounds). A decree of January 8, 1932, effective January 16, 1932, suspended the issuance of import certificates for the exportation of barley malt. It was reported at the time that this measure was taken to preserve domestic barley supplies.

A German Government decree of March 19, 1932, effective April 1, 1932, revised the former import certificate system and authorized the Government to prescribe: (a) that on the export of rye, wheat, spelt, barley, oats, buckwheat, edible beans, peas, lentils, fodder beans, lupines, and vetches, export bonds may be issued in respect to the quantities exported, such bonds entitling the holder to import the same quantity of the same class of goods free of duty or at a reduced rate of duty; and (b) that millers or maltsters, on exporting German-made products from their plants, shall receive export bonds entitling the holder to import the same quantity of grain or legumes as was used in the products exported.

The decree of March 19, 1932, superseded the former specific regulations regarding the issuance of the so-called "import bonds", under which system the exporters of a minimum quantity (500 kilos) of the products mentioned above under (a) were given certificates which entitled them or the holder to import duty free within a period not exceeding nine months a quantity of any of the specified products corresponding to the duty-value of the certificate. The decree of March 19, 1932, also discontinued the issuance of "import bonds" on the exportation of hogs, pork, and hams. Formerly, on exportation of a minimum of 100 kilos of hogs, pork, and hams, the exporter was given an "import bond" which entitled the holder to import duty free a quantity of the same product corresponding to the duty-value of the bond. The decree of March 19, 1932, provides, however, that the provisions of the orders of November 17, 1931, and of January 8, 1932, providing for the issue of "import bonds" in respect to certain barley and oats products, are to remain in force until further notice.

5. Governmental control of the rye and corn trade - Reference has already been made to the various governmental trade-regulating and price-supporting measures employed with reference to wheat (see section 2, above), and to the efforts of the German Government, by facilitating imports of feed barley and in other ways, to discourage the use of bread grains for animal feed (see section 3, above). It remains, in connection with cereals, to describe some of the recent measures taken to regulate the trade in rye and corn, particularly those involving direct monopolistic control on the part of the Government or of agencies fostered by the Government.

A semi-official grain trading organization, known as the Deutsche Getreide Handelsgesellschaft (German Grain Trading Company), was established on March 27, 1926, with authority to purchase rye for the purpose of stabilizing prices. The new Grain Trading Company was merely a substitution for the Reichsgetreidestelle, the war-time Federal Grain Office, which was being liquidated at that time. Though nominally a private organization its relations with the Government have from the beginning been so close as to make it in reality a semi-official agency. Since its inception it has been the agency through which the Government intervenes in the rye market whenever such intervention seems called for. In such instances funds are advanced by the Government in order to enable the Company to purchase and warehouse domestic rye. The Company has participated in all attempts by the Government to regulate and control the price of rye. When, on February 18, 1930, an agreement was entered into between Germany and Poland for a joint rye export syndicate in order to prevent cut-throat selling of the rye surplus on the Scandinavian market, Germany was represented by the German Grain Trading Company. This agreement provided for a quota of 60 per cent for Germany and 40 per cent for Poland of the total rye exports of the two countries. The agreement expired in June, 1931. (Concerning further details of the German-Polish Rye Agreement, see Poland). The operations of the Grain Trading Company now include also wheat and other related products, as already noted in sections 2 and 3 above.

Several other steps were taken during 1930 to stabilize the price of rye and to assist in disposing of the large surplus on hand. By the same

law which authorized the Government to alter duties on wheat in such manner as to maintain a minimum average yearly price (the Tariff Revision Law of April 15, 1930; see section 2, above), the Government was authorized to alter duties on rye to the same end, the average minimum price being fixed at 230 reichsmarks per metric ton ($1.39 a bushel). Experience had shown, however, that a mere increase in the rye duties had little effect on the price situation. Supplementary devices were accordingly resorted to. The main idea back of these supplementary measures was to force a shift from the use of other grains to rye. Thus for example, the tariff on barley was increased early in 1930, with the provision, however, that farmers who had fed a certain quantity of rye would have the right to import a certain quantity of barley on the basis of a reduced duty (see section 3). Again, as it was not possible to raise the duty on corn because of the trade treaty with Yugoslavia, a corn monopoly was established to restrict the imports of corn (see below). Finally the tariff was increased on wheat and other measures were resorted to, all of which in the aggregate tended to bring about a shift towards the utilization of rye.

On July 9, 1930, a so-called "bread law" was enacted. This law provided that from August 15, 1930, all "rye bread" sold in Germany would have to contain at least 97 per cent rye flour. Moreover, bakers were required to use rye flour with a milling extraction of no more than 60 per cent. The law of July 9, 1930, also provided for a "mixed bread" which had to contain at least 80 per cent rye flour and not more than 17 per cent wheat flour. With a further view to increasing the consumption of rye, a decree was issued on December 1, 1930, providing for the compulsory mixing of 30 per cent rye flour with wheat flour in all loaves weighing more than 200 grams. This decree also ordered all bakeries to display rye bread in their windows and shops.

Germany has also for a number of years issued import certificates upon the exportation of rye (see section 4). These certificates can be used by the holder in the payment of duty on commodities imported. According to a decree of February 11, 1930, these certificates were valued at 6 reichsmarks per 100 kilos (36¢ a bushel). The decree of February 11, 1930, specified that the Government was authorized to make the issuance of certificates on exported rye dependent upon prescribed conditions. This system, of course, served to stimulate exports of rye. The basic German import duty on rye is 200 reichsmarks per metric ton ($1.21 a bushel), but by a decree effective August 24, 1931, the duty is reduced to 10 reichsmarks per ton (6¢ a bushel) provided evidence is furnished of the exportation before January 1, 1932, of a corresponding amount of domestic rye. The import certificates issued upon such exports remain valid until July 1, 1932. This system as applied to rye is the direct counterpart of the Wheat Exchange Plan already discussed. (See section 2, above).

These measures in the aggregate resulted in a material increase in the consumption of rye during 1930 at prices which for the most part were in excess of the world price level. The German Grain Trading Company had also found an effective method of disposing of a considerable part of its rye holdings by selling eosinized rye to stock breeders for feeding purposes. In fact rye supplies were declining so rapidly that on March 3, 1931, the Reichstag abolished the law providing for the compulsory mixing

of rye flour with wheat flour and raised the maximum legal milling extraction for rye flour from 60 to 70 per cent. In the aggregate the Government measures in force during the 1930-31 crop year resulted in the complete disposal of the rye surplus by the end of June, 1931, leaving practically no carryover for the 1931-32 crop year.

In respect to corn, the German Government by a law dated March 26, 1930, set up its own monopoly, the State Corn Bureau (Reichsmaisstells) as the exclusive channel for the distribution of both imported and domestic corn. The creation of this monopoly came as a consequence of treaty obligations with Yugoslavia which restrained Germany from raising the rate of import duty on corn. The corn monopoly was resorted to as a means of restricting the importation of this important competing cereal. It is the Government's principal instrument in supporting the domestic market for feed grains. The State Corn Bureau is obliged to sell maize for domestic use to any applicant at the prices fixed by the Government. The law was to expire on March 31, 1932, but it was recently extended for another two-year period, beginning April 1, 1932.

6. Plant quarantine restrictions - In addition to various import restrictions already described, Germany maintains various sanitary restrictions on imports. A number of those imposed under her plant quarantine may be mentioned by way of illustration. Thus a law of February 28, 1932, prohibits the importation from France of potatoes, aubergines, strawberries, tubers, bulbs, rhizomes, and other "sub-terranean parts of plants", as well as waste and packing material from such plants in order to prevent the introduction of the Colorado potato beetle. (Imports of potatoes from the United States have been prohibited ever since February 26, 1875). The law of February 28, 1932, also prohibits the importation from France of fresh vegetables, except from March 15 to November 15 of each year, and during this period they can be imported only when it is certified that the products have not been grown within a distance of 200 kilometers from areas infested with the Colorado potato beetle.

American barley cannot readily be sold to German farmers because of serious difficulty in 1928 when barley originating in the United States was suspected of causing illness in hogs. A decree was accordingly issued on September 27, 1928, requiring the inspection of imports into Germany of barley from the United States (except from Texas, Kansas, Oklahoma, and Colorado). This decree has been extended from time to time. While most German importers believe that the barley at present furnished under United States Department of Agriculture certificates is perfectly satisfactory, nevertheless the strong prejudice against it among German farmers helps to keep imports from the United States at a relatively low level.

7. Control of sugar industry - The German Government now controls both the production and the marketing of the sugar ground from beets grown by its farmers and thus indirectly controls the beet sugar-growing industry of the country. The German sugar industry until recently was among the very few German industries still remaining uncartelized. On March 30, 1931, the Government sanctioned the formation of the "Economic Association of the German Sugar Industry" (Wirtschaftliche Vereinigung der Deutschen Zuckerindustrie), bringing into one association all of the German sugar beet factories, sugar refineries and molasses plants. The

law in question is similar to legislative acts governing many other German industries. It imposes control upon the production and sales of sugar of all German factories producing this commodity from beets and molasses. This control covers, for the time being, the production for the year 1931-1932. The Association, while being nominally a voluntary organization of the manufacturers, has been delegated certain administrative powers, although all its important actions must be approved by the Minister of Food Distribution. The latter is to consult in all such matters a standing committee composed of three representatives of sugar manufacturers and three of sugar beet growers.

The purposes of the Association are set forth in the regulations attached to the new sugar law, as follows: (1) To stabilize the sugar industry and attempt to equalize production with a stable domestic demand; (2) to regulate and distribute an orderly quota for export to all beet sugar and molasses plants in Germany; (3) to regulate sugar offerings on the world market through agreements with other sugar producing countries; (4) to regulate the sale of refined sugar on the domestic market through basic quotas and to fix the prices of refined sugar sold on the domestic market; (5) to assist in increasing the demand for sugar and sugar by-products as a feeding stuff; (6) to maintain a uniform financing plan for reserve stocks of sugar by taking over the control and guaranteeing the presence of all mortgaged sugar.

Production of sugar by each factory will be restricted by quotas allotted by the Association to each member and approved by the Minister. Manufacturers are absolved from all contracts for delivery of beets concluded previously, if such contracts are in excess of their requirements under the quota system. Apparently the basis for the domestic quota will be the amount of raw or refined sugar produced for domestic sale during the preceding year. Each plant is allotted a given percentage of the domestic quota. Quotas are transferable, members who are under their allotment being permitted to turn their quotas over to others. Production above the quotas is punishable by fines.

The Association alone is authorized to contract with foreign countries for exports of sugar and to distribute export orders among the associated manufacturers. It may also enter into agreements with foreign sugar producers, with the object of joint control of world sugar markets. In any fiscal year sugar that is over and above the estimated domestic demand can be designated by the executive committee as compulsory export. The operation of the Economic Association began on September 1, 1931, and it is to continue until September 1, 1935.

The executive committee can also prohibit or decrease exports of sugar in accordance with the terms of any international agreements. This power is exercised in connection with Germany's participation in the Chadbourne Sugar Plan (see Cuba). Under this international agreement, Germany was allotted an export quota of 500,000 metric tons for the first year, 350,000 tons for the second year, and 300,000 tons for each of three years thereafter.

8. Other legislative aid measures for agriculture - Other recent measures in support of prices include: (a) a subsidy of 60 reichsmarks ($14.29) per head of cattle sold for export on the markets of Munich, Nuremberg, Augsburg, Stuttgart and Mannheim; (b) the formation of a compulsory syndicate of potato starch producers (Law of June 12, 1931); (c) a measure providing for the storage of grain during the first months of the harvest year in order to prevent a sudden fall of prices owing to the pressure of sales on the market; (d) the denaturing of grain with eosine, so that it can only be used as fodder, with the object of inducing farmers to use it for this purpose instead of imported fodder; (e) several small interventions for the purpose of stabilizing prices of peas, and other products on local markets; (f) permission to import 200,000 tons (7,349,000 bushels) of wheat free of duty for feeding to chickens provided import permits are secured. This wheat must be eosinized and can only be sold against permits issued to all chicken feeders on the basis of 5.5 pounds of wheat per bird (Law of April 18, 1932).

A large part of Germany's legislative program in aid of the farmer, however, is not directly price-influencing in character. Hundreds of millions of reichsmarks, for example, have been loaned by the Reich for relieving the exceptional hardships confronting agricultural producers during the past five or six years. Large sums have also been appropriated for organizing agricultural cooperatives along national lines, for the establishment of grades and standards, for improving marketing facilities, for land reclamation projects, for agricultural education, for guaranteeing credits extended to the farmers for the purchase of fertilizers, etc.

Of especial interest among such other relief measures is the so-called (Osthilfegesetz", or law for the relief of farmers in the isolated sections of East Prussia, where agriculture predominates. These districts need special assistance partly owing to their isolated position and partly for economic reasons, such as the unprofitable cultivation of rye and potatoes on poor soil. The law contains a large number of provisions which are designed to lower taxes, interest rates, transportation charges, etc. Since the "Osthilfegesetz" does not deal directly with the modification of current supplies or prices, no further account of this measure will be given here.

GREECE

Greece is dependent almost entirely upon agriculture for its economic welfare, agricultural products constituting the bulk of the export trade. The most important items in the export trade of the country are tobacco, currants, raisins, figs, olives, wine, and hides and skins. The country, however, is a deficit producer of wheat, and wheat and wheat flour constitute the most important items in her import trade. The direct price influencing measures adopted in Greece as an aid to local producers are confined mainly to assisting wheat growers, currant producers, tobacco

growers, and olive oil producers. Such legislative measures have taken the form mainly of restrictions on imports, restrictions on exports, the granting of loans to producers, and an export bounty on olive oil.

1. <u>Tariffs</u> - Greece levies duties on a long list of products, both agricultural and industrial. Increases of duties in recent years have included various agricultural products, notably edible animal and vegetable fats (except butter and coconut oil), cotton, barley, and oats, and wheat and wheat flour. A law effective November 27, 1931, subjected all imports from countries not having trade treaties with Greece to new maximum duties ten times the former maximum rates. The Greek minimum rates (applicable to the United States) on wheat and wheat flour are as follows (conversions to United States currency being made at par): Wheat, 10.5 metallic drachmas per 100 kgs. (55 cents per bushel); wheat flour, 18.725 metallic drachmas per 100 kgs. ($3.21 per bbl.). The former maximum tariff on wheat was 13.125 metallic drachmas per 100 kgs. (69 cents per bushel), and on flour 19.25 m.d. per 100 kgs. ($3.30 per bbl.) The new maximum rates on wheat and wheat flour will be ten times the former maximum. The above mentioned new Greek import duties affect 32 countries with which Greece has no commercial treaties. Especially hard hit are Canada, Argentina and Australia, from which Greece imports large quantities of wheat. A great effort is being made to render Greece less dependent upon foreign sources of supply for wheat, as will be indicated under the next heading.

2. <u>The wheat concentration system</u> - The Greek Government has been making special efforts since the war to encourage the cultivation of wheat and to improve the quality and yield of the local crop. As a result the production of wheat in Greece has increased considerably. Despite the increase in production local millers continued to show a marked preference for imported wheat. This preference was due mainly to the poor quality of domestic-grown wheat and its relatively small yield in flour. As a result stocks of domestic wheat accumulated in the country. In order to relieve the situation and to assure the consumption of domestic wheat within the country the Government since 1928 has maintained a so-called "concentration" system. The system has been amended from time to time but at present it provides for the purchase and concentration of the domestic wheat crop in the hands of a Central Committee and for its sale at fixed prices on a compulsory quota basis, i.e., fixed quantities of domestic wheat must be purchased by the millers at the fixed prices before the necessary supplementary supplies may be imported. The compulsory purchase of the domestic crop by the millers remains in force each year until all of the stocks accumulated by the Central Committee are disposed of.

The above mentioned "concentration system" was established by a law (3598) of July 10, 1928. According to that law, which was subsequently modified by the laws (4382) of August 21, 1929, (4817) of July 16, 1931, (4932) of April 18, 1931, and by the legislative decrees of November 14, 1931, a Central Committee was appointed consisting of the Minister of Agriculture as President, the Chief of the Market Police, the Director of the General Chemical Laboratory of the Government, the General Inspector

of Agricultural Associations, and one representative each from the Agricultural Bank of Greece, the General Privileged Warehouse Company, the Association of Greek Millers, and the two Unions of Agricultural Associations of Thessaly and of Macedonia and Thrace. This Committee was authorized to determine the quantities of wheat to be purchased from each district and to fix the price at which it will be sold locally. The price fixed by the Committee has been considerably higher than that of imported wheat.

The wheat thus concentrated is disposed of in the following manner: (a) Each mill having a daily capacity of 15,000 kilos (551 bushels) and up must mix 25 per cent domestic wheat with the imported wheat; (b) all importers of wheat or flour must purchase an analogous percentage of domestic wheat as long as domestic stocks are available on the market. The purchase of domestic wheat by importers is obligatory only during the period of concentration of Greek wheat, usually from October to April. As a rule the domestic crop is entirely disposed of by April. After that date importers may import wheat subject only to the regular duty (mentioned under tariffs) and to a special fee fixed by the Committee. The law specifies that this special fee, which is assessed in addition to the import duties, may not exceed 20 leptas per kilo (12 cents per 100 pounds) of imported wheat or flour.

The percentage of domestic wheat to be purchased by importers and the extra fee mentioned in the preceding paragraph are determined and fixed by the Committee in advance of the respective periods. During the period, November 1, 1930, to March 7, 1931, the percentage of domestic wheat which had to be purchased by importers had been fixed at 10 per cent of the quantity of imported wheat or flour. During the period, March 8, 1931 to November 1, 1931, the extra fee was 17.48 leptas per kilo (10 cents per 100 lbs. at the rate of paper drachmas 77 to the United States dollar) of imported wheat or flour. For all imports of wheat or flour effected through the thirteen "Class A customhouses" of Greece during the period November 1, 1931 to March, 1932, the amount of domestic wheat to be purchased by the millers has been fixed at 15 per cent, while the price which they must pay for domestic wheat during that period is fixed at Drachmas (apparently paper drachmas) 5.15 per kilo ($1.82 per bushel). For imports effected through "other" customhouses, importers are not obliged to purchase domestic wheat, but must pay a fee of 17.48 leptas per kilo (10 cents per 100 lbs.) of imported wheat or flour (in addition to the import duties). The quantities of domestic wheat available for concentration during this (1931-32) season were small and were expected to be completely disposed of by February, 1932. After that date all wheat and wheat flour imports will be subject (in addition to the import duties) only to the fee of 17.48 leptas per kilo (10 cents per 100 lbs.)

The concentration of the wheat is made by the Central Committee either direct or through a banking organization, with the cooperation of the General Privileged Warehouse Company of Greece. In past years, the National Bank of Greece had been entrusted with the financing and warehousing of the wheat, but during the 1930-31 and 1931-32 periods,

the Agricultural Bank of Greece has been charged with the purchase of the domestic crop for the account of the Central Committee previously referred to.

In addition to the concentration proceedings, the Central Committee is also invested with other duties concerning the protection and promotion of wheat production in Greece. The scope of the Committee may be summarized as follows: (a) Maintaining the price of domestic wheat by the above described system of concentration and sale in Greece; (b) granting of monetary prizes to progressive wheat growers and establishing and subsidizing model wheat producing villages; (c) construction of warehouses, with or without wheat cleaning and disinfecting installations; (d) the purchase, in Greece or abroad, of seeds of choice varieties of cereals and their distribution to farmers at reduced prices or against exchange with wheat of local production, as well as the distribution of seeds on credit; (e) the cooperation with, and material assistance to, the Institute for the Improvement of Plants for the purpose of experimenting and determining the varieties of cereals most suitable for each district; (f) the granting of subsidies to the Service of Mechanical Cultivation; (g) Upholding the prices of barley and oats by concentration and sales in Greece. Up to February, 1932, this latter feature had not yet been enforced.

The concentration system, as enforced by the Government up to the end of 1931, had made possible the disposal of the domestic wheat crop at comparatively good prices, and although it caused an increase of about 50 leptas per oke in the average price of bread, it will undoubtedly be maintained in Greece until world conditions and the wheat situation in Greece show a material improvement.

3. Currant price-influencing measures - A semi-official organization known as the Autonomous Central Currant Office has for the past five or six years been concerned with maintaining prices paid for Greek currants. The Greek currant industry has been the subject of legislative experimentation ever since 1895 when the so-called "Retention Act" was passed. This Act provided that exporters deliver 15 per cent of their intended exports to the Government to be used within the country for industrial purposes and thus maintain prices by creating an artificial shortage in the export market. Profits made by the Government on the sale of this fruit were used to establish the Currant Bank, which was to finance the growers.

The Currant Bank failed in 1904. As a result the Government established a monopoly known as "The Privileged Company" which was authorized to buy and sell the domestic crop. The Privileged Company was a private stock company and its charter ran until 1925. When this charter expired in 1925 the Government refused to renew it on the ground that the Company had not improved the economic status of the domestic currant industry during the 20 years of its activity.

A new law enacted in 1925 created the Autonomous Central Currant Office, a large central cooperative association, made up of representatives from all branches of the industry as well as representatives of various Government Departments. The C. C. O. is a non-profit association with semi-monopoly powers but with a minimum of government participation in its conduct.

The C. C. O. undertakes, in addition to less important tasks, to purchase a certain percentage of the crop at fixed prices and to handle and dispose of these currants; to improve methods of production and marketing; to regulate exports by means of retentions so as to maintain prices in the foreign market; and to expand foreign markets for Greek currants. It does not directly intervene between buyer and seller. All it does is to fix the amount of currants that must be turned over to it annually by the growers and the prices that will be paid for such fruit. For the 1930-31 export season this "retention" was placed at 50 per cent. The C. C. O. attempts to dispose of these retention currants so as not to compete with the exportable surplus. Brokers, dealers, packers and exporters are free to carry on their operations with non-retention currants without interference by the C. C. O. The whole theory is that by thus creating an artificial scarcity of currants for export, the growers will obtain higher prices for the exportable part of their crop than they would otherwise obtain. It is based, of course, on the theory of a quasi-monopolistic position for Greece in the world's currant production and trade.

4. <u>Relief measures for tobacco growers</u> - Because of the great economic importance of the Greek tobacco industry the Government has been particularly solicitous concerning it. Tobacco is by far the most important of the products exported from Greece. Low prices in recent years and increasing foreign competition have been keenly felt by the Greek growers. Accordingly a series of relief measures were adopted during 1930 to cope with the tobacco crisis. The principal measures were; (a) granting of loans by the Agricultural Bank in order to enable growers to hold their tobacco for better prices; (b) prohibition of tobacco cultivation on land unsuitable for tobacco so as to prevent over production; (c) reduction of direct taxes; (d) regulation of tobacco transactions between planters and traders.

In 1931 the Greek Government announced its intention of purchasing from 20 to 22 million pounds of refuse and damaged tobacco carried over from the 1929 and 1930 crops. Early reports indicated that about 14 million pounds of such tobacco was to be purchased in Greek Macedonia and Thrace at prices ranging from \$0.03 to \$0.05 per oke (1.06¢ to 1.77¢ per pound). All of this tobacco was to be destroyed. The Greek Government was also reported as planning to purchase a large quantity of good tobacco from old stocks in order to relieve the domestic tobacco situation. The good tobacco was to be retained by the Government for a period of two years before offering it for sale.

With a view to preventing the production of poor quality tobacco the Greek Government promulgated a decree during the 1931 harvest season prohibiting the picking of tobacco leaves of inferior quality.

It was reported late in February, 1932, that an official Greek delegation was to go to Istanbul, Turkey, during March to conclude a tripartite agreement on tobacco. The purpose of this agreement was to regulate the production of tobacco in the three leading producing countries of the Balkans, i. e., Greece, Bulgaria, and Turkey. The question of taxation on tobacco and a uniform means of advertising the tobacco produced in these three countries was also to be taken up at this convention.

5. Export bounty on olive oil - The Greek Government issued a decree on December 24, 1931, designed to maintain the price of olive oil produced in Greece, which, in principle, establishes an export bounty on olive oil. This decree fixed the minimum purchase price at 14.5 drachmas per oke (6.7 cents per pound) for oil of 5 degrees acidity delivered at port of exportation in districts where the land tax is paid in the custom houses during exportation and at 16 drachmas per oke (7.4 cents per pound) in all other districts. For each degree of lower acidity the price is increased by 2 per cent on each hundredth of acidity in olive acid and for each degree of acidity in excess of 5 degrees, the price is decreased by 1½ per cent.

In order to assure that producers will not receive less than the fixed minimum prices the Government is authorized to take charge of the exportation of olive oil up to 8,000,000 okes (22,560,000 pounds) by either purchasing outright that amount of oil at the fixed prices or by offering bounties to individuals who undertake the exportation of olive oil to foreign countries on the basis of the fixed prices. The Government may also appoint a special committee to control the quality and packing of olives which are to be exported. The aim of this decree is to enable producers to obtain in the local market at least 14.5 drachmas (6.7 cents per lb.) for olive oil by exporting the surplus of about 8,000,000 okes (22,560,000 pounds) which cannot be consumed locally.

HUNGARY

Predominantly an agricultural country, Hungary is on an export basis for a large part of her agricultural production. Though she imports some agricultural products such as rice, fruits and nuts, tobacco, hides and skins, wool, cotton, jute, coffee, etc., she also exports some tobacco, wool, and fruit; and she is a larger exporter of cereals and other agricultural products, including livestock and meat, eggs, potatoes, and sugar. Hence the more important of her agricultural price-supporting measures have necessarily taken the form of aids of one sort or another to the export branches of her agriculture. The most outstanding of these are the measures which she has applied to wheat (her chief export) and to rye. Other phases of entervention include a tobacco monopoly, regulation of the sugar industry and of the dairy industry, the restriction of imports by tariffs and other means, and the negotiation of preferential entry for Hungarian products into other countries.

1. Government intervention in, and monopolistic control of, the wheat and rye trade - In several ways the Hungarian Government has intervened in the grain trade for the purpose of securing better prices for the grower. The Government exercises monopolistic powers through the medium of various permanent institutions set up for the purpose of regulating internal and external trade; and with these as a nucleus the Government has resorted to a number of measures on the side of control technique. Most striking among these latter is the "grain-ticket" system which has been in operation during the last two years. This system involves a special technique by which the Government is enabled to pay a bounty on wheat and rye to the grower and to the exporter, while selling the exportable surplus abroad for whatever it will bring and assessing the costs indirectly upon the consumer. In July, 1932, however, the system was augmented by other measures under which the farmer is exempted from land taxes, the revenue loss therefrom being compensated partly by continuance of the milling tax on flour output but chiefly by the funds arising from sale of the grain tickets.

The discussion below will deal first with the more permanent features of government intervention in the wheat and rye trade, as revealed in the basic institutions set up for that and other purposes; second, with the particular device (the grain ticket system) which is employed for providing production and export bounties; and finally with the new plan of a production bounty on wheat and rye as formerly plus outright tax exemption for the small farmer regardless of what product he has to sell.

(a) Monopolistic control over the grain trade and agencies associated therewith - Among the more permanent features of government intervention in the grain trade of Hungary is the exercise of monopoly control through the "Futura", the Syndicate of Exporters, and the Syndicate of Millers. The Government holds controlling shares of ownership in the Hungarian Cooperative Societies Trading Co., Ltd., known as the Futura, which has come to be the dominating factor in the Hungarian grain market, and in the Cooperative Credit Union, which finances grain operations. The most important share of the Futura's business has been on Government account. The scope of the Company's activities, as contemplated in its by-laws, is as follows: "To collect products of agriculture and the agricultural industries in Hungary and market same among home customers and abroad, and to import and market foreign commodities needed in agriculture and the agricultural industries of Hungary; to create and direct, through a central organization, establishments for storage and other enterprises connected with the marketing of both raw and processed agricultural products......."

The broad scope of the foregoing provisions authorizes the Futura to establish a monopoly over any branch of agriculture, or even over the whole of the agricultural industry. The Hungarian Government has taken advantage of the powers granted to the Futura, turning them to its own account to control the country's trade in wheat and rye, especially wheat. The large Hungarian wheat crop of 1930 led the Government to adopt a program of wheat price maintanance. At first the Futura was authorized to purchase wheat on

government account at world price parity; but with the continued decline of prices, the Government, in August, authorized the Futura to offer prices for March delivery at Budapest substantially above the world market basis. This action prevented spot prices from falling as low during the autumn as otherwise would have been the case had they remained at world parity. Furthermore, as a result of this authorization the Futura contracted large quantities of March deliveries of wheat that normally would have been sold for export or for home consumption during the fall and winter months. In short, the Government, through the agency of the Futura, had embarked definitely on a program of stabilization operations. By the first of February, 1931, the stocks held by the Government had grown to a point where they represented the bulk of the country's surplus. Acting for the Government, the Futura had come to occupy a dominating position in the wheat (and rye) markets of Hungary. Even as late as May, 1932, it was reported that these stabilization stocks had not yet been completely disposed of.

The monopolistic powers of the Government were further extended through two subsequently-created organizations (incorporated in 1930-31), which brought the grain-export trade and the flour-milling industry under centralized control. These were the Hungarian Syndicate of Exporters, to which all exporters are compelled by law to belong, and the Syndicate of Millers. The Syndicate of Exporters exercises monopolistic control over the exportation of wheat, since the Government prohibits the exportation of wheat from Hungary by those who are not members of the Syndicate. The purpose of this organization is to regulate the Hungarian export trade and reduce competition among the individual exporters. Thus, for example, (for the time at least) it established minimum prices at which wheat might be sold for export to Austria, to which country about half of Hungary's wheat exports have gone in normal times. In general, the organization is said to have successfully prevented excessive competition between exporters during the 1931-32 marketing year. The administrative branch of the Hungarian Government, like the administrative branches of most of the central European countries, is in a position to exercise a considerable degree of control over such corporate bodies. Over and above the usual authority, the Hungarian Government was also empowered by legislation of 1930, to "determine the price to be collected by millers for milling, the rate of sifting, the price of the products of milling, and the price of bread," and to "establish by decree the proportion and quality of rye to be mixed with the wheat for the manufacture of bread."

(b) <u>The grain-ticket system and other aids to export, 1930-32</u> - The most interesting feature of Hungarian grain control methods of recent years is the unique system of grain tickets, or cereal-purchasing permits, which was in force during the crop years 1930-31 and 1931-32. It was a particular technique adopted for the purpose of enabling the farmer to obtain prices above world parity for wheat or rye notwithstanding the large exportable surplus that must be disposed of in world markets.

A law effective July 15, 1930, specified that wheat, rye, or their mixture, both imported and domestic, moving in commercial channels must be

accompanied by a purchasing permit. This permit was obtained by the prospective purchaser of cereals from the local municipal authorities at a cost during the first year of the operation of the law, of 3 pengo per quintal (14¢ a bushel), and during the second year, of 10 pengo per quintal (48¢ a bushel). The receipts from the sale of these permits went into a cereals valorization fund kept in the custody of the Minister of Finance and controlled by the Ministers of Finance, Economy, Agriculture, and Commerce acting jointly. The cereals ticket included a coupon which was given to the farmer when the grain was purchased from him, so that he obtained the coupon in addition to the selling price of this grain. Up to July, 1931, the redemption value of the coupon was fixed at 3 pengo per quintal (14¢ a bushel) of wheat sold, applicable first in payment of taxes, any residue being receivable in cash. During the second year of the operation of the law the redemption value of the farmer's coupon was fixed at 6 pengo per quintal (29¢ a bushel), 3 pengo of which had to be applied first in payment of taxes, any residue after payment of taxes being receivable in cash, and 3 pengo of which were receivable in cash. The source of these redemptions was, of course, the valorization fund derived mainly from the sale of the purchaser's permits or tickets.

As the grain moved from buyer to buyer each one was obliged by the law to purchase the accompanying permit from the preceding owner, so that the cost of the wheat or rye to the former owner automatically decreased to the level of the market price quotation. This could happen so long as the grain was sold to some other purchaser or intermediary in Hungary. But after the grain came into the hands of the wheat exporter or of the domestic miller, further shifting of the burden through sale of the ticket could not continue. The exporter obviously could not dispose of the ticket to his foreign clients; the miller did not sell wheat but flour and, unless reimbursed for the cost of the ticket, had either to absorb its cost or to charge higher prices for his flour.

What in fact happened was that the wheat exporter was reimbursed by the Government for the cost of the ticket, but the miller was not directly compensated except in connection with flour which he exported. The Government took up the cereals ticket from both miller and exporter. It reimbursed the exporter of the wheat and flour for the cost of the ticket, thus enabling both to compete in the world market without this added burden. But the Government did not similarly reimburse the miller for the added cost of the wheat ground into flour for sale in the domestic market. Rather, he was obliged to surrender his purchasing permits without compensation; so that the cost of the ticket became simply an added cost of production. Hence, except in so far as he might absorb the burden himself, the miller was compelled to pass it along to domestic consumers in the form of higher prices for flour. On the basis of a milling ratio of 70 per cent, the cost per quintal of flour was about 14 pengo ($2.18 a barrel). In addition to the cost of the grain ticket, the miller's burden included, after July, 1931, a new flour turnover tax of 2.5 pengo per quintal on wheat flour (39¢ a barrel), rye flour being made tax-free. This tax, imposed by the same decree that increased the value of the grain ticket, replaced the former flour tax of 10 per cent ad valorem.

The only transfers of cereals that did not have to be accompanied by the grain ticket were: cereals transferred from one farmer to another for agricultural purposes, or household use; cereals transferred by a farmer as payment for work executed on his farm; cereals given by the farmer to clergymen, teachers, and other community employees who obtained their salary in farm products; and cereals delivered to millers, as payment for grinding, by persons authorized to have cereals ground at custom mills.

From July to October, 1931, more direct encouragement to exports was provided in the form of an actual premium of 3.5 pengo per quintal (16¢ a bushel) on the exportation of wheat or its equivalent in flour. The new regulation went into effect on July 20. However, the Government did not begin the payment of export premiums promptly; and as late as April, 1932, it was reported that a large amount still remained unpaid. Payment was delayed partly because of a deficiency in the valorization fund resulting from its use for special relief to the needy (see below), and partly because the Government contested payment on the grounds that exporters had not increased the purchase price of wheat for export to the extent of the export premium. Before making actual payment, the Government examined the books of a large number of Hungarian exporters in an effort to determine what part of the premium had actually been paid in the purchase price to farmers. On October 18, 1931, the premium was discontinued. Finally in May, 1932, the Government announced that it would pay 2.5 pengo per quintal (12¢ a bushel) as premium on the wheat exported between July 20 and October 18, 1931.

Exportation was facilitated also in other ways. Wheat flour destined for a foreign market was granted exemption from the sales taxes assessed on other flour, the exemption amounting roughly to about 70 cents a barrel or 20 cents a bushel in wheat equivalent. The exemption took the form of a refund paid out of the valorization fund.

It will serve to epitomize the situation which obtained after the system of aids to the cereal grower during 1930-32 got under full headway to note the payments provided in connection with the marketing of the 1931 crop. These were as follows: first, 29 cents a bushel to the grower, half in the form of tax credits; second, 48 cents a bushel to the exporter of wheat to reimburse the cost of his grain ticket and enable him to sell at world prices; third, 16 cents a bushel to the exporter (subsequently reduced to 12 cents) as an added premium for removing the grain from the domestic market; fourth, payments to exporters of wheat flour corresponding to those made to exporters of wheat; and, fifth, a refund to flour exporters of the amount of the sales taxes assessed on all flour milled in Hungary, the refund being equivalent to 20 cents a bushel of wheat. It may also be noted parenthetically that a provision of minor importance in the basic law of June, 1930, directed that payments should be made out of the cereals valorization fund for reducing the state taxes on lands of those owners whose net registered (cadastral) revenue on the whole of the land property included in the territory of a commune did not exceed 58 pengo ($10.14).

As has already been indicated in connection with the payment of the export bounty on wheat, the elaborate system of bounties did not work out

as contemplated. An important reason for the delay in the payment of export premiums was that the special fund from which the premiums were to be paid was temporarily employed for "Government Relief Action" for the needy. The total amount used in the Relief Action has been estimated at 25 million pengo ($4,372,000), and of this amount about 6 million pengo ($1.049,000) was from the funds set aside for the payment of export premiums. The Relief Action consisted in buying large quantities of bread cereals from producers at the market price of about 57 cents a bushel, plus the 29-cent grain ticket coupon. These bread cereals were then ground for resale to the poor at the purchase price less the value of the grain ticket coupon of 29 cents. The latter price represented a reduction in the price of flour to the poorer population at the rate of $1.55 a barrel, this figure being approximatdy the difference arising from the full cost of the grain ticket to the millers (namely 48 cents a bushel), which entered into the price of other flour sold in the domestic market. The quantity of wheat and rye to be used by the government in this action was estimated in the autumn of 1931 at 44,000 short tons, but as late as April, 1932, it was indicated that more than 110,000 short tons had already been used. On this grain the government failed to realize any income from the sale of grain tickets, but was nevertheless compelled to assume the burden involved in redemption of the coupons to the farmers. The Relief Action expired on March 15. In addition to this type of relief the Government distributed wheat for seeding in the northern regions of Hungary, where freezes and insects had ruined the 1931 crop.

(c) <u>Modified system of relief to wheat and other farmers, 1932-33</u> - The grain ticket system as administered in 1931-32 proved to be a burden to the already heavily burdened national treasury; according to the London Economist a deficit of 20 million pengo ($3,490,000) resulted at the end of the 1931-32 crop year. Consequently, for the 1932-33 crop year, a considerably modified system of relief has been adopted. According to an official announcement in April (1932) the grain-ticket system was to have been abolished and replaced by one of outright tax abatement; but a decree of June (1932) provided for continuance of the ticket system (somewhat modified) during the 1932-33 crop year, in combination with the new system of outright tax abatement.

By the terms of an Order-in-Council dated in April and to come into force in July, the Government was to pay the farmer's land tax for 1932-33 instead of giving him cash and tax credits upon the sale of wheat or rye. The expenses were to be covered by a single milling tax at the rate of 12.5 pengo per quintal (59 cents a bushel), equal to the former 10 pengo grain ticket plus the former 2.5 pengo milling tax. In the case of custom milling, that is, where cereals are ground for the farmer's own consumption, the milling tax was to be refunded to the farmer on the basis of certificates issued to him by local authorities. To insure tight control over mills, a supervisor was to be placed in each large mill. As originally planned, the chief aid to the wheat grower in 1932-33 was to have been in the form of reduced overhead through tax relief, in contrast to the coupon system which had given relief partly in this form and partly in increased cash income.

But the more recent decree of June has restored the grain-ticket in modified form, and reduced the 10 pengo tax on milling to 2.5 pengo, while at the same time retaining the new feature of tax abatement to the farmer. As in 1931-32 the price of the grain ticket from July 1, 1932 is to be 10 pengo on each quintal of grain conveyed in commercial trade channels; but, in contrast to the former situation, the value of the coupon given to the farmer is now to be but 4 instead of 6 pengo (19¢ instead of 29¢ a bushel and the value of the ticket proper which finally accrues to the relief fund is to be 6 instead of 4 pengo (29¢ instead of 19¢ a bushel). The special charges on the milling industry remain the same as during 1931-32, consisting of the 10 pengo ticket plus the milling tax of 2.5 pengo. The export trade likewise is relieved of the burden of these charges by means of refunds as formerly.

In addition to the bounty of 4 pengo per quintal on the sale of wheat or rye, the farmer is to receive a refund of the land tax payable in the budget year 1932-33, provided that his net revenue derived from property within one community does not exceed 116 pengo ($20.30). Growers of wine grapes receive the tax refund regardless of the amount of their income. As a further alleviation, the extent of compulsory participation by farmers in community public works has been reduced somewhat.

The refund of the land tax and any deficits in county road budgets caused by the reduced compulsory work of the farmers are to come from a relief fund as formerly. This fund is practically the same as the cereals valorization fund of 1930-31 and 1931-32, being now renamed the "Agricultural Relief Fund". Reimbursement for the grain ticket to exporters of wheat and flour and of the milling tax to exporters of flour is made from the fund, as previously. The principal sources of payments into the fund are likewise the grain ticket andthe milling tax. The new decree is not clear as to whether the farmer's coupon is to be redeemable entirely in cash or partly in cash and partly in tax credit. It is clear, however, that the chief source of revenue for making up the deficit on account of tax abatement to the farmers, instead of being a single milling tax of 12.5 pengo, is to be the grain ticket. In conclusion, it remains to be noted that no mention is made of an export premium on wheat or any other cereal, the idea of such an aid apparently having been definitely abandoned in October, 1931.

2. Monopoly of tobacco production and trade - In Hungary production and trade in tobacco are directly under government control, the exclusive right of purchase and sale being vested in the Hungarian Tobacco Monopoly, subject to the control of the Minister of Finance. Production and export are permitted only by license of the Monopoly, the manufacture of tobacco products being carried on by the Monopoly itself. Importing is done by the Monopoly or by persons having license to do so, and the sale of tobacco products is allowed only in shops licensed by the Monopoly. During each year the Ministry of Finance issues a decree classifying all Hungarian produced tobacco and giving the prices to be paid to the growers for each kind. Tobacco plantings are regulated, growers being required to obtain a license for definite acreage allotments. A grower applying for a permit

to grow tobacco in Hungary must own an area of land suitable for tobacco production equal to at least five times the area which he is to devote to tobacco. he must also possess drying, curing, and finishing buildings conforming with specifications issued by the Monopoly. Seeds are furnished free of charge to the authorized growers from a special government experiment station.

3. Regulation of the sugar industry - In Hungary both the production and marketing of sugar are under government control; and Hungary is a party to the International Sugar Agreement, providing for the restriction of sugar exports on the part of the leading sugar exporting countries. (Concerning the Agreement, see "Cuba" above) Under the original agreement, Hungary had an annual quota of 92,703 short tons. In 1930-31 she exported 91,833 tons, or almost the whole amount of her quota. For the 1931-32 season the quota allotted to Hungary is 95,000 short tons. Most of the 2,297 tons over and above the quota of 92,703 tons originally assigned to Hungary is made up of her share (2,139 tons) in the portion of Germany's export quota which remained unfilled at the end of 1931, and is to be made up by additional exports this year.

The sugar factories of Hungary are obliged to carry their accruing surpluses on a separate account, under the direct control of the Minister of Finance. The volume of production is regulated by agreements between factories and beet growers. For the 1932 crop they have agreed upon a maximum production quota of 900,000 tons of beets as compared with the 1931 quota of 1,290,000 tons. The basic beet price has been fixed at 2.15 pengo per 100 kilos as against last year's 2.5 pengo (17¢ as against 20¢ per 100 pounds.)

Government intervention in the sugar industry also includes the fixing of prices and profits in the marketing of the finished product. The amount of profits that wholesalers and retailers of sugar may make is established by the Hungarian Government and the National Association of Hungarian Sugar Manufacturers. Wholesale grocers selling to retailers are permitted to make a profit of 8 cents a hundred pounds while retailers may charge a profit of from 2 to 3 per cent in selling to customers.

4. Price-fixing in the dairy industry - A law enacted in Hungary during 1931 authorized the Ministry of Agriculture to fix the lowest purchase price payable to the producers of milk and the maximum retail sales price to be charged to consumers. The Ministry was further authorized to fix the maximum cost of distribution, the gross income, and the sales discount. It may change the administrative or sales methods of the milk distributors and may curtail the number of branch stores by limiting the minimum sales to 25 liters per day. It may even order the merger of small and inadequately-financed distributors or producers into larger commercial units in order to obtain the necessary financial support for successful operation. The wholesale purchase and sales price of milk and milk products are fixed from week to week by a Price-Fixing Committee of the National Dairy Association.

5. Import restrictions - Since Hungary is primarily an exporting country as regards agricultural products, import restrictions have not been of primary significance for the maintenance of agricultural prices. Livestock, cereals, eggs, wool, apples, potatoes, and sugar are on a net export basis. On wheat the duty is about 35 cents a bushel plus an import turnover tax of 3 per cent on the duty-paid value; on wheat flour, it is about $2.35 a barrel, plus the turnover tax of 3 per cent. Wool is duty free, being subject only to the import turnover tax of 3 per cent ad valorem, c.i.f. basis. A duty of 1.4 cents a pound gross weight is imposed on apples when packed in boxes and barrels without wrapping, of 2.4 cents when each individual apple is wrapped; the 3 per cent turnover tax applies here also. A duty of about 3.5 cents a pound is charged on sugar, plus a consumption tax of 4 cents a pound and an import turnover tax of 9 per cent of the duty-paid value. Such products as wool and apples, being on an export basis, do not receive any significant amount of benefit from the duties imposed on their importation. The same would be true of the other products on an export basis but for monopolistic trade control measures making the tariff more or less effective in spite of exportable surpluses. In the case especially of wheat flour and sugar domestic prices have been maintained by means of artificial controls at levels above world parity notwithstanding that both are on an export basis.

Agricultural products on an import basis are rice, cotton, jute, and coffee. Obviously, a duty on cotton, jute, or coffee has little or no protective value for the Hungarian farmer inasmuch as he does not grow them. Rice competes indirectly as a cereal with the native cereals such as wheat. On polished rice the duty is 0.55 cent a pound.

The recent tendency in Hungary as in other countries has been towards increasing restriction of imports. On January 1, 1931, a duty of 3 gold crowns per 100 kilos (0.27¢ per lb., or 2.32¢ per gal.) was imposed on milk, and the duty on hops and hop meal was increased from 25 to 200 gold crowns per 100 kilos (i.e., from 2.30¢ to 18.38¢ per lb.). On March 17, 1931, the duty on sugar was increased from 36 gold crowns to 38.8 gold crowns per 100 kilos (3.3¢ to 3.5¢ per lb.). On September 9, 1931, the turnover tax on imported and domestic goods was increased from 2 per cent to 3 per cent and, for lump rates, by one-half. Following an earlier increase in the consumption duty on sugar, a decree issued in October, 1931, increased customs surtaxes on a number of articles mixed or prepared with sugar. Effective January 23, 1932, a special permit was required for the importation of a list of 42 commodities including fresh apples, cheese, and raisins among others. These commodities were also made subject to a customs-handling tax of one-half of one per cent of their value. On March 6 the list was extended to other products, including corn.

The urgent necessity for currency defense has led the Hungarian Government to take measures that have benefited the cereals industry by discouraging the importation of corn. Payments made by Hungarian merchants to parties abroad must first be authorized by the Hungarian National Bank. Authorization must be requested prior to importation and requests are granted only on products that are absolutely necessary and that cannot be replaced by a domestic product. The importing of Rumanian corn has, as a

consequence, become practically impossible, so that the Hungarian market is now free from competition from foreign sources.

6. Negotiations for preferential access to European markets - Hungary has participated in the common efforts of the four Danubian countries to secure preferential access for their grain to the markets of central and western Europe through the exchange of tariff concessions with those countries. (Concerning conferences of the Danubian countries in 1930-31 for the purpose of developing a program of concerted action in this and other matters affecting disposal of their grain surpluses, see Bulgaria, above). In order to speed the process of securing the advantages of international agreements, the Lower House of the Hungarian Parliament on November 6, 1930, passed a bill giving authority to the Council of Ministers to conclude treaties with foreign countries and to promulgate them by decree. Such treaties were to last only three years and their denouncement was to be preceded by six months' notice.

Hungary has negotiated individual agreements with a number of countries importing foodstuffs. Some of these provide for tariff preferences; others include clearing agreements which, while designed primarily to defend the national currency from depreciation, have conveyed trade preferences and thus have served also to facilitate exports. During the last two years or so Hungary has negotiated or concluded treaties with Austria, France, Germany, and Italy for exclusive preferences. The treaty with Austria, effective from July, 1931, to June, 1932, involved a general exchange of tariff preferences, those granted by Austria to Hungary applying mainly to agricultural products. At the same time that the Austro-Hungarian treaty went into effect a commercial treaty with Germany became effective. But the tariff preferences granted to Hungary by this treaty were suspended until the acquiescence of countries having most-favored-nation treaties with Germany could be obtained. Up to June, 1932, the tariff preferences remained inoperative, still awaiting such approval. In November, 1931, Hungary concluded with France an accord including among its provisions the extension of what amounted to a preferential tariff on Hungarian wheat, to be discussed below. However, this provision had not yet gone into effect up to July 1, 1932. Hungary has been for some time endeavoring to negotiate a commercial treaty with Czechoslovakia, providing for reciprocal tariff preferences, but none has as yet been concluded. Of most recent date is the export agreement of March 7, 1932, concluded between Italy and Hungary which, while not specifically providing for tariff preferences, nevertheless opens the way for what amounts to the same thing.

The Austro-Hungarian treaty above referred to was signed on July 19, 1931, three weeks after the expiration of the previous treaty between the two countries. The new treaty was designed to promote the mutual exchange of goods by means of indirect tariff preferences. A common fund, ostensibly private but in fact contributed to by the national treasuries of both countries, was established. Out of this fund the exporters of each country were paid a discount from the import duties charged by the other, the net effect being that each country granted a tariff preference to the other.

Currency control restrictions finally rendered the exchange of preferences inoperative; and on June 30, 1932, the treaty was cancelled by the Austrian Government, the announced intention being to replace it with a new one based on the open preference system. Owing, however, to the ingenuity of the plan, whereby through government-controlled private financial institutions it was possible to reconcile what amounts to an exchange of tariff preferences with most-favored-nation obligations; a more detailed account seems warranted at this point.

The Austro-Hungarian treaty contained four separate agreements; but it is only the last part of the treaty with which we are here concerned. This dealt with special measures designed to facilitate the exchange of goods between the two countries. Aid was to be extended to exports in the form of preferential freight rates and special credit facilities granted to exporters in both countries. The two Governments agreed that each should appoint certain domestic corporations to execute measures for aiding the exportation of goods to the other, and that each should furnish financial support to such agencies. The Austrian Credit Institution for Public Enterprise and Works (a small semi-official bank owned by the State) and the Clearing Office of the Austrian Cooperative Associations were designated by Austria as the corporations to carry out her part of the agreement. The Hungarian Institute for Foreign Trade and the Hungarian Agricultural Export Institute were designated by Hungary. These corporations were ostensibly private in character, but were in fact subject to considerable governmental influence. The four corporations set up a Bureau for the promotion of trade between the two countries, vesting all administrative control therein. The Bureau was administered by a committee of four, two appointed by the Austrian and two by the Hungarian Government.

Incorporated in the commercial treaty between Austria and Hungary was an agreement between the Austrian and Hungarian corporations, setting forth, among other things, that the function of the Bureau was "to establish a credit organization for exports,..... handling credits for the exporters of both countries at moderate conditions against freight or depot vouchers (bills of lading, receipts, freight letters, warrants) or by other transactions of every kind." In this agreement between private corporations it was also set forth that the credits for the exporters of both countries were to be supplied by contributions furnished by state subsidies, and possibly other sources. The total amount of the contributions was indicated as about 21,200,000 schillings or 17,000,000 pengo ($2,973,000) plus a sum of money resulting from the trade in grain and milling of grain amounting to about 8,800,000 schillings or 7,000,000 pengo ($1,224,300). The agreement provided further that financial assistance to exporters should be authorized only in the measure "in which the total value of the commodities which were exported from Austria to Hungary and which participate in the privileges which have been fixed in mutual agreement, reaches the total value of the commodities exported within the same period of time from Hungary to Austria".

Most of the aid to be extended to exports was nominally in the form of credit facilities which consisted either in extending to exporters an export financing credit at a moderate rate of interest or else in reimbursing them for a certain part of the interest which they had to pay for private bank loans. Each Government would refund to exporters the difference between the cost of a private bank credit and the official bank rate minus $3\frac{1}{2}$ per cent; this difference was estimated at about 5 or 6 per cent per annum. Thus the two contracting Governments, working through the medium of corporations that nominally were private were engaged in an exchange of export aid, the net result being what amounted to reciprocal tariff preferences.

In the actual administration of the scheme, it has been pointed out that the refunds paid to the exporters apparently were not made directly dependent upon the differences between the cost of private bank credits and the official-minus $3\frac{1}{2}$ per cent bank rate, but rather that they varied with the commodity and with the duty levied upon it in the other country. Whether by coincidence or otherwise, it is a fact, for example, that on hogs the Hungarian exporter received a premium in pengo which was equivalent to 27 gold crowns, or exactly the difference between the previous Austrian import duty of 18 gold crowns and the new one of 45 gold crowns on ex-contingent hogs. Similarly, the premium on lard was said to amount, in pengo, to a sum equivalent to the difference between the previous autonomous duty of 10 gold crowns and the new one of 30 gold crowns.

The Austro-Hungarian treaty was intended as a model for others to be concluded in establishing a system of regional preferences. But in actual practice, owing to exchange restrictions, the treaty was found to be of much less importance than had been anticipated originally. With the development of the financial crisis in the latter half of 1931, both countries so restricted the allocation of exchange to persons within their border desiring to pay for imported goods that the scheme became more or less impotent to promote trade between them. The scheme was finally renounced by Austria on April 1, 1932, to go out of existence on June 30, 1932. At the same time, it was announced by the Austrian Government that the treaty would be replaced by a new one based on the open preference system.

A most-favored-nation commercial treaty between Germany and Hungary was signed on July 18, 1931, and went into effect subject to certain exceptions on December 28, 1931. In addition to the usual guarantees of treatment for her exports equal to that given to other nations, Hungary received special trade preferences for her exports of wheat, barley, corn, hogs, and beef cattle. On wheat, the advantage granted was in the nature of a tariff preference, while on beef cattle and hogs it was in the nature of a special import quota to Hungary guaranteeing a definite market for a certain quantity of her exports.

An annual import quota during 1931-33 of 6,000 head of cattle for slaughter, to be increased to 7,000 head the following year if more than 90 per cent of any year's quota was used, was granted to Hungary. The conventional rate of 16 reichsmarks per 100 kilos ($1.73 per 100 lbs.) was

granted by Germany on this quota. Hungary also obtained an annual import contingent to Germany of 80,000 head of hogs, the proviso being made that they were to be used in sausage factories and meat packing plants and were not to come on the open market in Germany.

The tariff preference granted to Hungarian wheat was made contingent upon acquiescence by other countries having most-favored-nation treaties with Germany, since it would be in direct violation of such treaties. The rate charged on Hungarian wheat was to be 25 per cent less than the autonomous rate. With the German autonomous rate at 25 reichsmarks per 100 kilos ($1.62 a bushel) the rate on Hungarian wheat amounted to 18.75 reichsmarks per 100 kilos ($1.21 a bushel) - a preference of 41 cents a bushel. Under the treaty Germany reserved the right to extend a similar preference on wheat to Bulgaria, Rumania, or Yugoslavia. Moreover, shipments of Hungarian wheat under the proposed preferential rate could not exceed the shipments of the previous four years. But, although most of the countries having most-favored-nation treaties with Germany waived their right to this preference, some did not; so that the preference on wheat did not go into effect with the remainder of the treaty. This was still the situation up to July, 1932.

In November, 1931, Hungary concluded with France an accord whereby she was to secure what amounted to a tariff preference on Hungarian wheat entering the French market. The accord provides for acceptance by France of the general principle of preference to Hungarian wheat and, for a period of one year after the preference becomes effective, a maximum reduction of 30 per cent below the French minimum duty for a quantity of wheat not exceeding 10 per cent of the total annual French imports. Actually, Hungarian wheat is to pay the minimum French duties without any reduction as it enters France. But the French Government, after verification, is to place at the disposal of the Hungarian Government a rebate to be paid to exporters or their organizations. The amount of the rebate, expressed as a certain sum per quintal, is to be determined by agreement between the French and the Hungarian Governments, but it is not to exceed 30 per cent of the French minimum duty. On the basis of the existing French minimum duty of 85 cents a bushel, this is equivalent to a preference of about 25 cents a bushel. Up to July, 1932, this preference had not gone into effect. Similar preferences have, however, become effective between France and Yugoslavia and between France and Rumania (see <u>Rumania</u> and <u>Yugoslavia</u>).

On March 7, 1932, Hungary concluded an "export agreement" with Italy for stimulating the exchange of commodities between the two countries. Although not containing special preferences for Hungarian agricultural products, the agreement contains features that are worthy of note. Railway rates between the two countries were to be adjusted from time to time so as to meet the competition of nearby foreign exporters who enjoy the advantage of smaller freight costs. The adjustments were to be proposed and carried out by a Tariff Council representative of Italy and Hungary. In addition, an international joint stock company was to be set up to furnish credit to exporters of the two countries on favorable terms. These arrangements were similar to those recently abandoned between Austria and Hungary, but they had not, up to June, 1932, attained the same significance in the way of tariff preference as did the Austro-Hungarian arrangement while it was in effect.

IRISH FREE STATE

The Irish Free State is predominantly a farming country. Hence exports are predominantly agricultural, including such important items as cattle, horses, pigs, butter, eggs, and bacon. Imports are largely of an industrial nature but include considerable quantities of grain and feedstuffs. The Irish Free State has no extensive program of trade control. Import restrictions on her leading products, such as those applied to butter and bacon, are largely nominal inasmuch as those products are on an export basis. On the other hand, strong measures have been taken in regard to such minor crops as sugar and tobacco. On the export side, measures have been taken to raise the quality of the butter, eggs, and meat shipped out of the country.

1. Tariffs - Though not a high tariff country, the Irish Free State has of late been taking steps in the direction of a general tightening of her import restrictions on agricultural products. At the end of 1931 she enacted duties on tobacco ranging from \$1.51 to \$1.68 a pound and on sugar from \$1.74 to \$1.92 a 100 pounds. Both are new crops in the Irish Free State. Other duties, of less significance as protective measures, have been imposed on various agricultural products. On November 21, 1930, a temporary prohibitive duty of £5 a cwt. (21.7¢ a pound) was put on butter. On January 23, 1931, this was replaced by a duty of 4d. (8¢) a pound. On October 24, 1931, import duties were imposed for the first time on oats, at the rate of 2s.6d. a cwt. (17.4¢ a bushel at par), and on oatmeal at the rate of 6d. a cwt. (10.7¢ a 100 pounds). Imperial preferential rates are two-thirds of the full rates.

Noteworthy also under this head is the appointment in 1931 of a permanent tariff commission, and the granting of authority to the Executive Council to impose or alter duties or other restrictions to prevent dumping.

2. Special anti-dumping duties - On November 5, 1931, the Irish Free State Dail authorized the Executive Council for a period of nine months to impose or alter import duties or to impose conditions or restrictions on imports whenever they are satisfied that, as a result of any financial or other event in other countries, there appears to be a likelihood of dumping or abnormal importations of an injurious nature into the Irish Free State. Under this grant of authority on December 31, 1931, a sliding scale anti-dumping duty was placed on all bacon, ham, and pork imported from other than Empire countries. Certified prices for duty purposes are issued from time to time. Bacon valued at 30s. a cwt. (6.5¢ a pound) is assessed at a duty of 45s. (9.8¢ a pound); bacon valued at 35s. a cwt. (7.6¢ a pound) pays 40s. (8.7¢ a pound) and so on up to a valuation of 75s. a cwt. (16.3¢ a pound) after which entry is permitted free of duty. The intent of this measure is to maintain the price of foreign bacon laid down in the home market at a given level. This measure represented the first application of the special rate-making authority granted to the Executive Council.

3. Other import restrictions - Sanitary prohibitions have been of minor importance. Some years ago a ban was placed upon the importation of potatoes from Canada to prevent the introduction of the potato beetle.

prohibitions were imposed on South American meat and in 1930 a seasonal ban was placed upon the importation of American fresh apples to prevent the introduction of the fruit fly.

It might be mentioned in passing also that since 1930 imports of bacon, corn, oats, oatmeal, wheat, and wheat flour have had to accompanied by importers' certificates showing the place of origin.

4. Export regulations to insure quality - The Irish Free State has influenced the market for her important exports of butter and eggs by improving the quality of these products. In 1924 two acts concerning their production and marketing were passed. In these, the Minister of Agriculture was empowered to set up a national mark or brand and to fix standards of excellence. In 1930 the regulations applying to eggs were made more stringent. Eggs being shipped out of the Irish Free State have to be certified as to condition before being exported. On July 1, 1931, a butter exporting order was issued under the authority of the Dairy Produce Act of 1924 setting forth new standards of flavor, cleanliness, appearance, etc., for export butter, and providing for the necessary inspection. A similar measure was taken late in 1931 in regard to potatoes. An act passed in December and effective on January 8, 1932, made obligatory a system of inspecting export potatoes formerly conducted on a voluntary basis.

5. <u>Sugar bounty</u> - The sugar industry of the Irish Free State is comparatively new. Sugar beet growing is favored by a government subsidy begun in 1926 and by the remission of the excise on refined sugar. The subsidy is paid not to the growers but to the Irish Sugar Manufacturing Company, Ltd., which takes the entire sugar beet crop. An Act of 1925 provided that the first factory to manufacture sugar from home-grown beets in the Irish Free State would be granted a subsidy. For the first, second, and third years, the subsidy was 24s.6d. ($5.96 at par)a ton on white sugar manufactured. For the fourth, fifth, sixth, seventh, and eighth years, the allotment was 22s. 6d. ($5.47 at par) a ton; for the ninth and tenth years, 22s. ($5.35 at par) a ton. The following amounts have been paid during the past few years to the sugar company in the form of direct subsidy, beginning with the year 1926-27:

Years	Pounds sterling	In U. S. currency (at par)
1926-27	181,502	$ 883,279
1927-28	273,899	1,332,929
1928-29	250,388	1,218,513
1929-30	108,253	526,813
1930-31	108,333	527,203

The following amounts have been paid in the form of remission of sugar excise tax:

1926-27	111,804	$ 544,094
1927-28	168,663	820,798
1928-29	227,768	1,108,433
1929-30	239,610	1,560,621
1930-31	270,737	1,317,542

ITALY

Italy has been endeavoring in recent years to give special aid to some branches of her agriculture, particularly wheat and rice production, and production of livestock and meats, through the medium of governmental price-influencing measures. To this end she has employed not only tariff duties but also more direct forms of import restriction and price-fixing. In respect to rice, a system of export premiums assessed against the producers, supervised and enforced by the Government, is in operation.

1. Tariffs - There have been no general upward revisions in the Italian tariff on agricultural products since 1921; but the duties on some products, particularly on grain, have been greatly increased. Various agricultural associations in Italy, moreover, are demanding increased protection for farm products, especially for livestock, livestock products, grain and grain products.

Significant among the agricultural tariff increases in recent years have been those on wheat. Although Italy produces between 200 and 250 million bushels of wheat per annum, she also imports some 50 to 100 million bushels. The policy of the Government in Italy is, however, that domestic producers should grow practically all of the wheat required by the home market, and to this end every encouragement has been given to the domestic wheat industry not only by tariffs but by other means as well. Considering for the moment only the tariff: From January 31, 1915, to July 24, 1925, wheat was free of duty. In July, 1925, a duty of 7.50 gold lire per 100 kilos (39¢ per bushel) was imposed. In September, 1928, the rate was increased to 11 gold lire (58¢ per bushel); in May, 1929, to 14 gold lire (74¢ per bushel); in June, 1930, to 16.5 gold lire (87¢ per bushel); and in August, 1931, to 75 paper lire ($1.07 per bushel).

On many other agricultural products there have also been tariff increases. To mention some of the more recent ones: On October 10, 1931, the tariff on rice was increased as follows: rice in the husk, from 11 to 41 lire per quintal ($0.26 to $0.98 per 100 pounds); rice, partly husked, from 16.50 to 50 lire per quintal ($0.39 to $1.19 per 100 pounds); and cleaned rice and rice flour, from 23.90 to 60 lire per quintal ($0.57 to $1.43 per 100 pounds). In addition to the customs duty, rice and various other agricultural products are subject to a surtax of 15 per cent ad valorem. The new tariff rates were expected to curtail imports of foreign rice very materially and thus raise the domestic price level for the home-grown product.

Large increases in the duties were also made during 1931 on frozen meat, rye, rye flour, corn, raw cotton, and sugar. Moreover, an ad valorem surtax of 15 per cent was imposed on good imported from countries that do not have most-favored-nation agreements with Italy. Certain grain and grain products and certain fats and oils were, however, exempted from the payment of this surtax. In addition, early this year a clearance tax of approximately 14 cents per short ton was placed on all foreign goods ar-

riving at Italian ports. On March 4, 1932, the duty on fresh butter was increased from 66.10 to 350 lire per 100 kilos (from 1.6¢ to 8¢ a pound at par). On salted butter the duty was increased from 88.10 to 378 lire per 100 kilos (from 2¢ to 9¢ a pound at par).

2. Milling regulations - The protection afforded the domestic wheat industry by the tariff was deemed inadequate. The Government, therefore, on June 10, 1931, authorized the Italian Ministry of Agriculture to require the compulsory use of a specified percentage of domestic wheat in all flour manufactured for consumption in Italy. In accordance with this order a Ministerial decree was issued effective June 17, 1931, requiring that until further notice not less than 95 per cent home-grown wheat must be used in all flour made for consumption in Italy, leaving a quota of only 5 per cent for imported wheat. The main reason for the sweeping curtailment of imports of foreign wheat was to facilitate the marketing of the large 1930 crop.

Ultimately, however, the Government found it necessary to modify the milling regulation so as to enable millers to use a larger percentage of imported "hard" wheat in their mixtures, but continued for a time to limit imports of "soft" wheat to 5 per cent of total requirements. Farmers in Italy, encouraged by the previous high milling quota for domestic wheat, had withheld their wheat from the market in the hope of forcing millers to pay higher prices. As a result there was an actual shortage of wheat, particularly of "hard" wheats, of which Italy produces only about two-thirds of her requirements, her domestic crop being chiefly "soft" wheat.

To meet this difficulty the Government, on November 1, 1931, revised the milling quota so as to enable millers to use 25 per cent imported "hard" wheat in their milling. This percentage was increased on January 1, 1932, so as to allow the use of 50 per cent of imported "hard" wheat in milling. During all of this time the fixed percentages for "soft" wheat remained unchanged at 95 per cent domestic and 5 per cent foreign. However, when the percentage of foreign "hard" wheat which could be used was increased to 80 per cent on February 1, 1932, the percentage of foreign "soft" wheat was increased to 30 per cent.

Soft wheat is chiefly produced in Northern and Central Italy, although there is also some production in Southern Italy. The production of hard wheat is practically limited to the islands of Sicily, Sardinia, and to parts of Basilicata, Calabria, Puglia, Abruzzi, Milese, and Luzio, all of which are in Southern Italy. Of these, Sicily is by far the most important producer. Because of the regional distribution of the soft and hard wheat-producing areas the Government since March 1, 1932, has fixed different milling quotas for northern and southern Italy. A decree of that date announced that the percentage of "soft" wheat to be used in milling in northern and central Italy (not including the "compartment" of Latium, which comprises the provinces of Rome, Rieti, Viterbo, and Frosinone, i.e., the provinces surrounding the city of Rome) would be 60 per cent domestic and 40 per cent foreign. The same decree stipulated that

mills in Latium, Southern Italy, and on the Islands of Sicily and Sardinia, could use 40 per cent domestic "soft" wheat and 60 per cent foreign "soft" wheat. Subsequently further changes were announced in the quantities of foreign "soft" wheat that could be used in Northern and Central Italy. The fixed percentages for "hard" wheat, however, remained unchanged from February 1, 1932, until May 23, 1932, when new quotas were announced for both soft and hard wheat.

The following tabulation gives a chronological picture of the changes in the milling ratios from June 17, 1931, to May 23, 1932.

Italy: Fixed milling percentages for foreign and domestic wheat

Location of mills and milling periods	Soft wheat		Hard wheat	
	Domestic	Foreign	Domestic	Foreign
	Per cent	Per cent	Per cent	Per cent
All Italy				
June 17, 1931	95	5	95	5
Nov. 1, 1931	95	5	75	25
Jan. 1, 1932	95	5	50	50
Feb. 1, 1932	70	30	20	80
Northern and Central Italy a/				
Mar. 1, 1932	60	40	20	80
Mar. 21, 1932	50	50	20	80
Apr. 26,11932	40	60	20	80
May 23, 1932	75	25	95	5
Latium, Southern Italy and Islands				
Mar. 1, 1932	40	60	20	80
Mar. 21, 1932	30	70	20	80
Apr. 26, 1932	15	85	20	80
May 23, 1932	b/ 95	b/ 5	b/ 90	b/ 10

a/ Exclusive of compartment of Latium.
b/ Exclusive of Sicily and Sardinia for which the compulsory domestic quota for soft wheat is 100 per cent and for hard wheat 85 per cent.

3. Import quota: cattle and beef - The principle of an import quota based on a definite ratio to domestic purchases has not been confined to that of wheat, discussed above. An Italian decree which went into effect on January 1, 1932, provides that all municipal slaughter houses shall regulate their weekly output of slaughtered animals so that at least 85 per cent will be of domestic origin.

Furthermore, on the basis of a decree dated February 2, 1932, the maximum quota of 15 head of imported foreign live cattle, which may be included with every 100 head of cattle slaughtered in domestic establishments, has also been made applicable to all fresh, frozen, and chilled beef imported in halves or quarters. For the purpose of this law two halves or four quarters are considered as equalling one live animal without making allowance for entrails, etc. The effect of the decree is to assure that for every four quarters of beef imported into Italy, a specific amount of domestic beef must be marketed, the ratio being fixed at 85 per cent domestic and 15 per cent imported.

4. <u>Price-fixing; rice</u> - On October 2, 1931, the Italian Government inaugurated a price-maintenance plan for rice. A decree of that date establishes a National Rice Institution (Ente Nazionale Rizi) with headquarters in Milan. According to the decree the purpose of this organization is to safeguard the interests of Italian rice cultivators and to facilitate distribution and consumption of rice.

The decree provides for the control of rice production, distribution, and prices by a board consisting of rice growers, millers, traders, and a representative of the Government. This Board is authorized to fix the basic price for rough rice for the entire season. In view of the fact that the recent increases in the rice tariff are expected to exclude practically all imported rice, it is believed that prices to growers will be maintained at a relatively high level as a result of the activities of this Board. The fixed prices are to be announced by the 15th of August of each year. The Ente Nazionale Rizi does not buy or sell rice. Therefore, it is not a Rice Pool. However, since the "Ente" is authorized to fix the prices to be paid for rough rice at a level that will be remunerative to the grower, it obviously performs the essential function of a Pool. All transactions between buyer and seller must be approved by the "Ente".

As indicated above, the "Ente" fixes the minimum price for the various descriptions of rice. However, subsequent reports indicate that there has been no strict obligation for growers or merchants to adhere to these prices, so far as transactions for domestic consumption are concerned. In this case, the fixed minimum prices have merely indicated to the rice industry what the price level should be. A comparison of actual price quotations from October 1 to December 31, 1931, shows that in the sales contracts between grower and merchant during that period the fixed minimum prices had not been reached. As the "Ente" has the right and the obligation to examine and reject contracts which are not in correspondence with its regulations and policy, it is obvious that market conditions from October 1 to December 31, forced the "Ente" to give its official approval to contracts made at lower prices.

While the "Ente" did not absolutely force buyers for the domestic market to pay the official minimum prices, at least from October to December 31, 1931, it did enforce the payment of the minimum prices for all rice bought for export. The exporter has been obliged to prove to the "Ente" that he actually paid the fixed minimum prices to the grower. Since an export bounty is paid on rice exports, the details of which will be de-

scribed below, and since exporters are compelled to pay the minimum prices, it is believed that the prices for rice destined for domestic consumption will follow rather closely the prices of rice to be exported. In this way the total price level will be raised.

The following tabulation gives the fixed minimum prices to be paid for rice from the 15th of one month to the 15th of the following month, from October, 15, 1931 to September 15, 1932:

Minimum purchasing prices fixed by the
Ente Nazionale Rizi

(In lire per quintal)[a]

Periods	Originari and Comuni	Maratello and Precoce P6	Sinifini (Allorio)	Fini: Carolina (Vialone, Bertone and Ostiglio)
1931:				
Oct. 15 - Nov. 14	70	74	78	86
Nov. 15 - Dec. 14	73	79	83	91
1931-32:				
Dec. 15 - Jan. 14	75	81	85	83
1932:				
Jan. 15 - Feb. 14	78	82	86	94
Feb. 15 - Mar. 14	79	83	87	95
Mar. 15 - Apr. 14	80	84	88	96
Apr. 15 - May 14	81	85	89	97
May 15 - June 14	82	86	90	98
June 15 - July 14	83	87	91	99
July 15 - Aug. 14	84	88	92	100
Aug. 15 - Sept.15	85	89	93	101

a/ During the period October 15 to April 15, 1932, the exchange value of the lira fluctuated from 5.05 cents to 5.20 cents. The quintal is equivalent to 220.46 pounds.

5. Export bounty: rice - The decree of law of October 2, 1931, above referred to, provides that all contracts between rice growers and buyers, whether for the domestic or for the export trade, must be registered with the "Ente" and that a registration fee be paid by the buyer. This fee has been fixed at 14 lire per quintal (33¢ per 100 pounds) of paddy rice and must be borne by the buyer. In the event that the grower himself processes his own paddy he also must pay the 14 lire for each quintal processed. The sum established by this fee is used for the payment of a bounty on rice exports. The rice miller or dealer, of course, includes the amount of the fee payable

to the "Ente" in his sales prices for cleaned rice so that in the last analysis the Italian consumer himself must bear the burden of the bounty. Thus the Italian Government has not only avoided paying an export bounty out of Government funds but it has also avoided the accusation of dumping rice on the foreign market.

The fee of 14 lire per quintal (33¢ per 100 pounds) is collected by means of agencies which the "Ente" maintains in all of the important rice centers. Special police supervision has been provided in order to assure that no rice can be transported from the farm to the mill unless accompanied by a permit issued by the "Ente". In this way the "Ente" not only makes sure that all contracts are properly registered but also that the fee of 14 lire per quintal (33¢ per 100 pounds) is paid on all transactions. Theoretically, the entire Italian rice crop, excepting the quantity retained for sowing, has to be sold by the grower. It has been estimated that on the basis of 1931 crop this would result in the accumulation of a fund by the "Ente" amounting to approximately 88,382,000 lire ($4,649,000).

The export bounties to be paid from October 12, 1931, to January 15, 1932, were fixed as follows:

Premium paid on rice exports

(In lire per quintal) a/

Rice	From Oct. 12 to Nov. 15	From Nov. 16 to Dec. 15	From Dec. 16 to Jan. 15
Paddy	24	29	31
Semi-finished ..	30	36	38
Cleaned	38	45	48

a/ The lira on October 12, 1931, was worth 5.17 cents in U. S. currency. On January 15, 1932, the lira was worth 5.05 cents. The quintal is equivalent to 220.46 pounds.

These bounties were changed early in January. The new rates indicate that the premium on exports was reduced on rice to be shipped to countries that have been taking comparatively large quantities during recent months while they were increased on shipments to countries where competition from other exporting countries, especially Brazil, was so strong that efforts to market Italian rice were not satisfactory.

The old and the new export premiums are given in the following tabulation.

Revised premiums paid on rice exports

(In lire per quintal) a/

For shipments to	Cleaned		Brown		Paddy	
	Old	New	Old	New	Old	New
1. Austria, Hungary, Yugoslavia, Switzerland and France, effective February 1, 1932	48	40	38	32	31	26
2. Germany (goods forwarded by rail) Albania, Greece, Bulgaria, Rumania, Turkey, Syria, Palestine, Cyprus, Aegean Islands, Egypt, Libia, Eritrea, Somaliland, Malta, Czechoslovakia, Poland, and the United States, effective February 1, 1932	48	45	38	32.50	31	29
3. South America, Canada, Algeria, Tunisia, Morocco, Portugal, Great Britain, Holland, Belgium, Germany, (all goods forwarded by sea), Sweden, Norway, Denmark, Finland, Latvia and Estonia, effective January 1, 1932	48	55	38	43	31	35

a/ The lira on January 1, 1932, was worth 5.08 cents in U. S. currency. The quintal is equivalent to 220.46 pounds.

Reports received during March indicate that the above-mentioned export premiums have been subjected to still further revision. The bounties have been reduced on exports to all countries and as late as March 19, 1932, were as follows:

Revised premiums paid on rice exports
(In lire per quintal) a/

Group 1. Albania, Austria, Bulgaria, Cyprus, Italian Islands in Aegean Sea, Egypt, Eritrea, France, Greece, Yugoslavia, Libia, Malta, Palestine, Trieste, Fiume, Rumania, Syria, Somaliland, Switzerland, United States, Turkey and Hungary.

Lire per quintal
40.00 ....For cleaned rice, best milling grade
37.25 ....For cleaned rice, lower milling grade
34.25 ....For brown rice, slightly milled
32.00 ....For brown rice
25.75 ....For paddy rice

Revised premiums paid on rice exports (Cont'd)

(In lire per quintal) a/

Group 2. Algeria, Belgium, Czechoslovakia, Estonia, Germany, Latvia, Lithuania, Morocco, Holland, Poland and Tunisia.

Lire per quintal	
45.00	..........For cleaned rice, best milling grade
42.00	..........For cleaned rice, lower milling grade
36.00	..........For brown rice
29.00	..........For paddy rice

Group 3. Canada, Mexico, South America, Denmark, Finland, Great Britain, Norway, Portugal, Sweden.

Lire per quintal	
50.00	..........For cleaned rice, best milling grade
46.40	..........For cleaned rice, lower milling grade
40.00	..........For brown rice
32.00	..........For paddy rice

a/ The lira on March 29, 1932 was worth 5.18 cents in U. S. currency. The quintal is equivalent to 220.46 pounds.

In order to promote export sales the "Ente" has taken special measures to guarantee satisfaction to foreign purchasers. A decree dated January 10, 1932, authorizes the "Ente" to examine all rice intended for the export market by means of samples. An organization known as the National Export Institute will be responsible for this inspection which will be made according to the instructions of the "Ente". No exports will be permitted unless accompanied by the official inspection certificate of this Institute.

6. Government assistance to tobacco growers - By a Royal Decree dated December 10, 1931, the Government announced the organization of the "Ente Nazionale por la Protezione del Tobacco Italiano" with headquarters in Rome. The purposes of this organization are: (a) to improve the production of Italian tobacco; (b) to improve methods of culture and to organize producing companies; and (c) to promote the sale of Italian tobacco at home and abroad. The "Ente" is financed mainly by the Government. The production and sale of tobacco in Italy has been a State monopoly since 1862. The present autonomous organization, however, was established in 1927 by the Fascist Government. No details are available as yet as to the exact activities and function of the "Ente". Whatever its final organization may be it will unquestionably have a reaction on the exportation of tobacco, and a stronger competition by Italian tobacco in Central Europe may be expected.

JAPAN

In Japan governmental intervention in industry and trade of all sorts is traditional. Probably in no other country, aside from Russia, are state ownership of industry and government intervention in private enterprise carried further than in Japan. Financial contributions in support of private economic activities; tariff protection to encourage the production of almost every commodity which can be produced within the country; subsidies to shipping companies; and preferential transportation rates to encourage exports: these have been especially prominent phases of governmental intervention. In agriculture such intervention has been particularly manifested in connection with the following: control of the rice trade; aid to the silk industry; maintenance of a tobacco monopoly; tariff protection; and aid in connection with the warehousing of agricultural products.

1. Government control of the rice trade - Rice is one of the basic food articles of Japan. It is likewise the chief crop of many farms, constituting about half of the value of the nation's agricultural production. Hence, the supply and price of this staple are matters of primary concern to farmers, to industrialists, and to the Government. The desirability of some degree of price stabilization brought about the passage in 1921 of the Rice Control Act. The Act was intended primarily to iron out the large variations in price that might be due to unusual market conditions. Because the Japanese rice crop is on an import basis and the volume of domestic production varies by comparatively small amounts from year to year, the conditions were regarded as particularly favorable for successful stabilization.

The Rice Act of 1921 provides that the Government may purchase, sell, exchange, work up, or store rice when it considers such action necessary in order to regulate the supply or market price of rice. The Government is authorized when such intervention is deemed necessary, to regulate the price by raising, lowering, or abolishing the import duty during any specified period. Imports of rice are prohibited except under license from the Government. When the Government desires to sell or purchase rice in the Empire of Japan, it must publish the prices, and these prices must be based on current market quotations. This rule does not apply, however, when the purchase or sale is made for the purpose of stock replacement. The Government may order producers, dealers, warehouse companies and others engaged in the marketing or transportation of rice to supply any necessary information, or it may inspect their books when it deems necessary in order to determine rice stocks in connection with its efforts to regulate supplies or prices.

For the administration of the Act a Rice Control Section was set up in the Ministry of Agriculture and Forestry and the sum of 100 million dollars placed annually at its disposal. To raise additional funds,

rice purchase notes payable within a year may be issued, or ordinary borrowing may be resorted to, up to a maximum of some 135 million dollars. A further sum of about $1,250,000 is allotted for the construction of warehouses for the storage of rice purchased under the Act. By the end of 1929, there were over fifty warehouses having a capacity of some four million bushels.

The operations of the Government are continuous, the Government being always a factor in the market. During the ten years that have elapsed since the passage of the Act the Government has at times made very large purchases -- in all, on perhaps some half dozen occasions. As late as March, 1931, the rice market was stimulated not only by Government purchases of stock totalling some 15 million bushels but also by financial accommodation extended to rice farmers in connection with the marketing of their crop.

In the endeavor to regulate the supply of rice, the Government has also made use of its power to regulate imports and exports. From March 6 to August 31, 1928, the importation of rice was prohibited as a result of a price slump occasioned by an abundant crop. Countries having treaties of commerce and navigation were not included in this embargo, although they are the source of about one-third of Japan's total imports of rice. In the opposite situation, during the period of relative scarcity lasting from July to November, 1925, the Government sold liberally and at the same time suspended the operation of the import tariff on rice, under which a duty of 38 cents a hundred pounds was being levied. These measures tended to moderate the rise of prices. From February 14 to October 31, 1927, the import duty on rice was again removed by Imperial Ordinance owing to a short domestic rice crop. More recently, in August, 1931, the Government prohibited the exportation of rice in anticipation of another short crop.

2. Government aid to the raw silk industry - The silk industry is Japan's most important industry. Sericulture, or the raising of cocoons, is an important source of income on the farms, accounting for about one-eighth of the total farm income. The rearing of silkworms is a household occupation, serving as a means for employing the spare time of the family and supplementing the farm earnings. Inasmuch as alternatives of a household industry character are usually extremely few, the volume of cocoon production tends to be maintained even when prices are low.

Cocoon prices are, of course, dependent on raw silk prices. Although Japan has almost a monopoly of the world silk market, the silk industry has recurrently been in difficulties during the past decade or so. The output of raw silk has increased tremendously and in several years has resulted in over-production and hence low prices

for cocoons. The Government has several times extended financial aid to the raw silk trade.

The Raw Silk Conditioning House, established in 1895, functions as an authoritative agency for the testing and grading of raw silk and facilitates trade by maintaining recognized standards of quality. No silk may leave the country until it has met with the approval of the Government Conditioning House. This institution is supported by an appropriation of about $200,000 a year. The Government also cooperates closely with the Central Raw Silk Association, consisting of sericulturists, filatures, merchants, exporters, etc.

In January, 1928, the filatures, who play an important role in the Central Raw Silk Association, agreed either to take twenty per cent of their capacity out of production for the first half of the year or to postpone the opening of their reeling season by one month. A year later the Association put into effect another plan. A compulsory deposit of $12.50 per 1,000 kin (about a cent a pound) was to be collected on export silk from the exporters and a fund of 15 million dollars was to be built up for the purpose of regulating prices. But it soon became apparent that the plan was inadequate and in February, 1930, the members of the Association again resorted to the twenty per cent non-utilization plan for a period of four months. Despite these measures supplies continued to pile up and prices continued to decline.

In March, 1930, at the instance of the Raw Silk Association, the Silk Stabilization and Indemnification Act was passed, providing for indemnification to the silk trade for losses sustained in withholding silk from the market. The Government agreed to indemnify the Syndicate Banks against losses resulting from loans to raw silk exporters up to a sum not exceeding 30 million yen (about 15 million dollars), in order to permit with the withdrawal of 150,000 boxes of silk from the market. This action was construed as tantamount to guaranteeing the then current price of 1,250 yen per 100 kin ($4.66 a pound) on the silk stored, although the actual wording of the law provided only for compensation for losses to the extent of $95 a bale (72 cents a pound). The total subsidy of 30 million yen was made payable in instalments up to June, 1932. By June, 1930, the amount of silk stored had been increased to 200,000 boxes and the Government had extended its guarantee from $95 a bale to $116 a bale in order to include warehousing charges amounting to $21 a bale. In April, 1931, the sale of raw silk under the Indemnification Law was begun, but within a month it was suddenly suspended. The large stocks held under the Indemnification Law continued to weigh on the silk market for some time thereafter.

3. <u>Tobacco monopoly</u> - Japan is on an import basis for tobacco. The administration of the tobacco industry by the Imperial Tobacco Monopoly has been a dominant influence in the tobacco industry in Japan. The quantity of tobacco produced and the remarkable extent to which

consumption has been adjusted to it, together with the relatively small imports of foreign leaf and cigarettes, are the outstanding results of policies pursued by the Government Monopoly. The primary purpose of the Monopoly has been, of course, to secure as much revenue as possible from the tobacco business, and the above results have been more or less incidental to that purpose. The profits from the Monopoly are an important source of government revenue and have increased steadily year by year.

All operations in Japan's tobacco industry and the trade have been managed since 1904 directly by the Imperial Japanese Government Monopoly Bureau, which is a Section of the Imperial Ministry of Finance. The Monopoly Bureau regulates and supervises all tobacco cultivation in Japan; purchases the leaf yield from the growers at prices fixed by the Bureau regulations; manufactures in its own plants the several tobacco products; purchases abroad (by its own representatives or through its less than a score of specially licensed importers in Japan) its requirements of leaf, manufactured tobacco, and machinery; and governs in every detail the exports and domestic sales, wholesale and retail, of all tobacco products.

Tobacco growing at the prices paid by the Monopoly is relatively profitable, it is stated, and there is no difficulty in securing the planted acreage that the Monopoly desires. In the fall of the year the Director-General publishes the variety and acreages that each district may plant, together with prices to be paid for the various grades. Application is made by individual farmers to the Monopoly, stating the acreage that each wishes to plant. Permits are issued after the acreage applied for has been scaled down to the area officially allotted to the district. The permit number must accompany all later deliveries of tobacco grown under the permit. A duty of 355% ad valorem on both leaf tobacco and cigarettes effectively diminishes competition from foreign sources.

4. <u>Tariff and other import restrictions</u> - The Japanese tariff dates from the 'sixties, when the first commercial treaties between Japan and Western powers were concluded. During the last decade, important changes have occurred in the years 1924 and 1926, and minor changes in almost every year since 1926. In 1924 a duty of 100 per cent ad valorem was placed on some 120 luxury items, in which class were placed fruits, vegetables and nuts. In the major revision of 1926, raw materials not produced or produced only in small quantity in Japan were placed on the free list, and staple industries that might develop further were given more protection. In 1929 a number of rates were again increased.

Among the more important duties on agricultural products are those affecting fresh and dried fruits, dairy products, rice, wheat, and tobacco. A number of the rates in force at the close of 1931 follow: butter, 10 cents a pound; milk and cream, condensed and

evaporated (sweetened and unsweetened) $2.73 per hundred pounds, including weight of containers; rice, 45 cents a bushel; wheat, 29 cents a bushel; wheat flour, about $2.13 a barrel; and leaf tobacco, 355 per cent ad valorem on c.i.f. basis. Raisins and fresh fruits, being on the luxury list, are taxed 100 per cent ad valorem.

There are also other restrictions on imports. In addition to the import duty on rice, import licenses are required. Cigarette importations must also be accompanied by a special permit, and on certain fresh fruits the restrictions are even more drastic, the importation of fresh apples, pears, peaches, apricots, quinces, and prunes being prohibited from European countries, the United States, Canada, Africa, Australia, Tasmania, New Zealand, and Brazil.

5. Government aid in agricultural warehousing - In almost every agricultural community in Japan may be found warehouses for agricultural products, built with government aid. The Agricultural Warehousing Law of 1917, granted subsidies to agricultural associations, cooperative societies, and other corporations concerned with agriculture. The warehouses are empowered to issue warehouse certificates, grant credits on these certificates, and act as agents in transactions involving the goods in their custody. As has already been mentioned in connection with the Rice Act, a program for the systematic construction of warehouses for rice is being executed by the Japanese Government. The present capacity of the Government's rice warehouses is equal to about one-fifth of the volume of an average crop.

LATVIA

The Government of Latvia has been taking an increasingly important part in aiding the agrarian interests of the country during the recent years of world economic depression. Not only have tariffs been imposed on a long list of agricultural products but various other measures of legislative aid have been enacted to protect farmers from foreign competition and to maintain prices paid for agricultural products. The most important of such supplementary legislative devices in force in Latvia are grain milling and mixing regulations, import quotas, production and export bounties or premiums, and in the case of cereals, sugar, and flax direct monopolistic control and price-fixing.

1. Tariffs - Latvia depends to a great extent upon agriculture for her livelihood. For that reason the Government has been particularly mindful of the needs of the agrarian interests. Although the country is on an export basis for many farm products notably butter, flax and linseed, hides, and skins, bacon, etc., it is also wholly or partly dependent on foreign sources for many agricultural products, including cereals, fruits, nuts, sugar, cotton, some kinds of hides and skins, etc. In respect to such of these imported commodities as she also produces, notably cereals, Latvia has been in a position to raise prices of home-grown products by means of import restrictions.

To some extent tariff duties have been employed to this end. Under the Latvian tariff many agricultural products are dutiable, and from time to time the duties have been increased. Outstanding among recent revisions was that of July 23, 1931, when 57 items out of some 217 in the Latvian tariff, including a considerable number of agricultural products, were revised upward. Other methods of restricting imports of agricultural products, however, have tended to overshadow the tariff.

2. Control of grain trade and grain prices - The Government of Latvia at the present time exercises a monopoly of the foreign and domestic grain trade of the country, reserving for itself the exclusive right to the importation of wheat, rye, barley and corn, and offering to purchase all of the domestic wheat and rye grown in the country at guaranteed prices. This monopoly of the grain trade evolved out of a less rigid system of control previously in force. The following paragraphs give a brief summary (a) of the earlier measures for controlling the grain trade and (b) of the present grain monopoly.

(a) Earlier grain trade control legislation - Latvia has exercised direct governmental control over prices of home-grown cereals (wheat and rye) and has controlled imports of such cereals and of wheat and rye flour by establishing definite quotas of the domestic product that must be purchased before imports can be effected since early in August, 1930. These quotas have been changed from time to time. The latest revision, dated November 5, 1931, provided that millers must purchase domestic wheat and rye from the Ministry of Agriculture in the following proportions in order to import these grains or wheat and rye flour: (a) six quintals of home-grown rye for every quintal of foreign rye; (b) eight quintals of home-grown rye for each quintal of imported rye flour; (c) two quintals of home-grown wheat and one-third quintal of home-grown barley for each quintal of imported wheat; and (d), three quintals of home-grown wheat and one quintal of home-grown barley for each quintal of imported wheat flour.

The above legislation was originally provided for in an enabling act passed on July 31, 1930, and effective August 8, 1930. This law gave the Latvian Cabinet the authority to control imports of wheat, rye, and wheat and rye flour, by enforcing the compulsory purchase of specified quantities of domestic wheat and rye as a prerequisite to importation. It also authorized the Government to purchase at fixed prices all of the domestic wheat and rye offered to it by farmers after certain quantities needed for feeding to livestock, for seeding, and for personal needs had been deducted. In addition, the Minister of Agriculture was empowered to sell the grain purchased by the Government at a fixed price to all buyers. The law also authorized the Ministry of Agriculture to issue a certificate on each purchase of grain from the government stocks. This certificate would entitle the holder to import certain quantities of foreign wheat and rye and their products, the exact quantities to be specified in subsequent decrees.

In accordance with the provisions of the above mentioned enabling law the Cabinet from time to time issued the necessary decrees governing

its administration. The most important of such decrees was that of August 14, 1930, which definitely authorized the Ministry of Agriculture (a) to announce at the beginning of each harvest the prices that would be paid by the Government for domestic wheat and rye of a specified grade and quality; (b) to delegate persons or firms to accept delivery of domestic wheat and rye for the account of the Government; (c) to act as the exclusive seller of all "locally produced" wheat and rye and to allot such sales in accordance with the production capacity of the individual mills. The mills in this connection are required to submit monthly statements as to their requirements of locally produced wheat and rye.

The decree of August 14, 1930, also laid down an elaborate program for controlling competition from imported wheat and rye. In the first place it authorized the Cabinet of Ministers to regulate the proportion of foreign and local grain to be ground by millers. These proportions must be based on the monthly consumption of cereals, as declared by the bakeries, and on the quantity of domestic wheat and rye in the stores of the Government. In the second place it authorized the Government to prohibit the importation and distribution of foreign wheat and rye and wheat and rye flour except by firms and persons who have certificates showing that they have purchased locally produced wheat and rye from the Government in the quantities prescribed by the Cabinet of Ministers. Such certificates are issued immediately upon the purchase of domestic grain from the Ministry of Agriculture and they indicate the exact quantity of the foreign product which the holder is entitled to import. The actual quantity of domestic wheat and rye which must be purchased from the Government in order to import a given amount of foreign wheat and rye or wheat and rye flour has been changed from time to time by decrees. Late in 1931 the Government was also authorized to enforce the purchase and use of certain amounts of domestic barley, barley flour and potato flour whenever it deemed such action necessary to maintain prices to local producers.

(b) Present grain monopoly - By a decree published on April 14, 1932, and effective June 15, 1932, all former regulations regarding the marketing of grain were rescinded in favor of a Government grain monopoly. The new monopoly law provides that the importation of rye, wheat, barley and corn and the products thereof shall be confined exclusively to the Government, under the supervision of the Ministry of Agriculture. Moreover, the Ministry of Agriculture is authorized to control the domestic trade in bread grain and the products thereof.

In accordance with the terms of the law locally produced bread grain (rye and wheat) may be sold in the domestic market at unrestricted prices; such rye and wheat, however, may also be delivered to the Ministry of Agriculture by the method provided in the new regulations. The latter feature is covered in the clause which provides that (in order to encourage the production of domestic grain) the Ministry of Agriculture can purchase locally grown rye and wheat either direct from the growers or through cooperative organizations and the rural self-governments at uniform prices throughout the country, in accordance with the quality specified and at prices fixed by the Government.

The basic prices at which grain may be purchased by the monopoly are to be determined by the Cabinet of Ministers on the basis of the average production costs. The prices are to be fixed by April 1 of each year and will remain effective for the crop of each succeeding year. The Government purchasing price for 1932-33 crop wheat and rye are as follows: wheat, 27 lats and rye 21.60 lats per quintal ($1.42 and $1.06 a bushel, respectively). The Ministry of Agriculture is authorized to receive money from the Seed Fund for the purpose of purchasing grain and the products thereof, as well as from the reserve capital of the State (according to special laws to be promulgated), or by borrowing funds from the Bank of Latvia.

Foreign and domestic rye and wheat and the products thereof which have been purchased by the Monopoly must be sold at prices to be fixed by the Ministry of Agriculture. Profits from such sales are to be used for the promotion of butter and badon production.

The Ministry of Agriculture is also authorized to issue binding instructions for the purpose of regulating the proportion of domestic grain to be used by the millers in the manufacture of flour produced, as well as to regulate the prices of flour and bread in proportionate relation to the grain prices fixed by the Ministry of Agriculture. The Ministry of Agriculture is also authorized to supervise the operation of mills, bakeries and shops marketing flour.

Under the new monopoly law, profits which were previously made by the larger grain millers in Latvia on the sale of imported grain to the smaller millers, will represent profits to be gained by the Government. Because of lack of funds, the smaller Latvian millers have heretofore only been able to purchase very limited quantities of imported grain at a time. Their purchases have been made almost entirely on a cash basis from the larger millers, who have also been the most substantial grain importers, due to their better credit facilities. Under the monopoly, the larger and smaller millers will be placed on the same basis, both being required to make their purchases of imported grain from the Government.

The Government proposes to purchase domestic wheat grain from the Latvian farmers at about 270 Lats per metric ton ($1.42 per bushel, at par) and sell it to the local millers at the same price. At the present time (April 19, 1932) foreign wheat is quoted c.i.f. Latvian ports at approximately 158 Lats per metric ton ($0.83 per bushel). It is believed that foreign grown wheat may eventually be bought a little cheaper, and that the difference between the buying price and 270 Lats per ton ($1.42 per bushel), the price at which the Latvian Government intends to sell it to the local millers, will be more than sufficient to cover the Government's handling costs. The Latvian Government officials have expressed the opinion that substantial revenue will be gained under the proposed plan, and that there is no reason to anticipate an increase in the price of bread in Latvia as a result of the new monopoly.

3. Import quotas and contingents - Reference has already been made to the application to cereals of the principle of import quotas based on definite ratios to purchases of domestic grain. This principle was subsequently applied to sugar, meat, and meat products. Late in 1931 and early in 1932 a system was adopted whereby imports of all commodities were limited by contingents based on actual imports during 1930 and 1931.

Effective August 28, 1931, the Latvian Government was authorized to fix certain proportions of home-produced meat and meat products of all kinds which must be purchased by firms and individuals before imports of such products could be made. This authorization covered all meats, including fat-backs, natural fats of animal origin, and also artificial fats mixed with vegetable oils, margarine, and hydrated fats.

Effective October 30, 1931, the importation of all kinds of sugar into Latvia was limited to holders of certificates indicating that specified quantities of domestic sugar had been purchased from the Government Sugar Monopoly. At that time it was decreed that 10 tons of sugar had to be purchased from the Government mills in order to obtain the right to import one ton of foreign sugar. Recently, however, this law has been superseded by a complete Government Monopoly of the sugar industry and trade of the country (see section 5, following).

The quota principle, in other forms, has been applied and extended until it now includes all imported products and is doupled with a system of government licensing. On October 15, 1931, import quotas were fixed by countries for edible fats, meats, raisins, currants, and a number of industrial products, based on a specified percentage of the quantities imported during 1930. This law specified that for one year, beginning October 15, 1931, the foreign goods listed could be imported into Latvia only within the contingents indicated. The presentation of import permits from the Customs Department were required for the importation of such goods. The law provided that as soon as the respective contingent of merchandise fixed for each country was imported no further permit would be issued for the importation of that particular commodity from the country concerned. The law also provided that the merchandise listed could not be imported from countries not mentioned in the regulation.

On November 2, 1931, fixed annual import contingents were established for 60 groups of commodities, including such agricultural products as hides, butter, rice, barley and oats, for the calendar year 1932. The contingents ranged from 10 per cent to 60 per cent of the amount imported in 1930. While the quantity of each product that might be imported was definitely fixed, the Government reserved the authority to permit enterprises to import raw and semi-manufactured materials in excess of the maximum quantities stipulated, provided the merchandise is destined (a) for the manufacture of goods for export, or (b) for the manufacture of goods for the local market if the raw or semi-manufactured materials cannot be purchased locally in sufficient quantities.

On February 18, 1932, the Latvian Government published a new regulation which limited the imports of all commodities not previously covered by contingents to 75 per cent of the quantities imported during 1931. Prior to the publication of this law all goods for which no contingents had been fixed could be imported into Latvia in any quantities desired, except that importers had to secure the consent of the Valuta Commission to pay for goods imported if the products were to be paid for in foreign currency. This law finally gives the Government of Latvia a complete monopoly over all imports. Importers are now compelled to secure a permit from a Committee which has been appointed by the Government to control imports. In issuing permits for the importation of goods the Committee will endeavor to direct trade to countries with which Latvia has a favorable trade balance.

4. Export subsidies - On August 25, 1930, the Government of Latvia passed a law providing for the stimulation of butter production by the payment of a premium on all milk sold to dairies making butter for the export market. A sum of $473,000 was appropriated for that purpose. The premium is distributed on the basis of the butter that is made from the quantity of milk delivered. It amounts to Lats 0.20 per kilogram (1.75 cents per pound) for first grade butter when produced by dairies in certain specified provinces, and Lats 0.30 per kilogram (2.63 cents per pound) for first and second grade butter when produced by dairies in certain other specified provinces.

The Latvian Government also subsidizes the domestic flax industry, which is on an export basis. Complete details as to the activities of the Latvian Flax Monopoly are given in section 6 below. The domestic flax producer is being subsidized through the activities of a Government Monopoly which is buying the domestic product at prices in excess of the world market level.

On July 31, 1930, the Government passed a law providing for the payment of a bounty on the exportation of bacon. The law provides that in order to encourage the breeding of three specified grades of bacon pigs the Government would pay pig raisers a subsidy of 15 lats on each hog ($2.90) whenever the price of Latvian bacon on the London market ranges between 82 and 86 shillings per hundredweight ($17.81 to $18.68 per 100 pounds at par) and a subsidy of 20 lats on each hog ($3.86) whenever the London price falls below 82 shillings per hundredweight ($17.81 per 100 pounds). This law was modified on July 31, 1931, so as to provide for the payment of a premium to breeders of hogs of a satisfactory bacon type, weighing from 75 to 100 kilograms each, when sold to slaughter houses, on the following basis: (a) A premium of 10 lats ($1.93) per hog, if at the time of delivery, the price for first grade Latvian bacon in London is below 75 shillings per hundredweight ($16.29 per 100 pounds); (b) a premium of 15 lats ($2.90) per hog, if the London price is below 70 shillings per hundredweight ($15.21 per 100 pounds). Should the price for first grade Latvian bacon in London exceed 85 shillings per hundredweight ($18.47 per 100 pounds), 50 per cent of the excess in the price must be transferred by the slaughter houses to a special fund in the Bank of Latvia, from which fund the premiums are to be paid to hog breeders. The cost of transporting hogs by railway to the slaughter houses is borne by the Government.

5. Government sugar monopoly - On January 5, 1932, a new law went into effect providing for the establishment of a Government Sugar Monopoly. The new law gives the Ministry of Finance the exclusive right to import and to sell imported sugar, and to buy and sell domestic sugar. In other words the State is given an exclusive monopoly in sugar and sugar products. The price at which the Ministry shall purchase sugar from local mills is to be fixed by the Government. The purpose of the law is to keep foreign sugar out of the market until the domestic production has been disposed of. This is expected to strengthen the local industry and guarantee growers favorable prices for their sugar beets.

The manufacture of sugar from domestic or imported materials on the part of private enterprides is permitted only upon authorization of the Ministry of Finance. The law specifies that all sugar produced from domestic sugar beets shall be purchased by the Finance Ministry at prices fixed by the Cabinet. The law also authorizes the Finance Minister to fix the compensation to be paid domestic sugar factories for converting imported raw sugar into crystallized sugar. Such imports can be made only in accordance with regulations issued by the Government.

6. Government flax monopoly - The Government of Latvia has exercised a complete monopoly of the flax industry and trade of the country since August 1, 1919. At that time the Government took over the entire flax stocks of the country and granted to itself the exclusive right to purchase, sell and export flax. Moreover, it fixed the prices at which it would purchase all of the flax grown in Latvia. Flax has always been one of the most important export crops grown in Latvia and by means of this monopoly the Government hoped to secure for itself a steady source of revenue while at the same time maintaining stabilized prices for the domestic crop.

The Monopoly itself was created by a decree law passed on March 27, 1919. This decree provided that the purchase, working, sale and exportation of flax was to be the exclusive right of the Government. The operative details of the flax monopoly were subsequently outlined in supplementary decrees. These regulations provided that the flax was to be delivered by farmers to licensed monopoly buying stations. These stations are compelled to pay the prices fixed by the Ministry of Finance. The licensed purchasers may make their payments either out of their private funds (to be reimbursed later by the Government) or out of sums advanced free of interest by the Ministry of Finance.

The flax-purchasing stations must deliver all purchases to the monopoly storehouses at Riga. At the end of each fiscal year, on March 31, settlements are made between the Monopoly and the various individual licensed stations for freight and insurance outlays by the latter and for the commissions which the Monopoly allows them in order to cover salaries, overhead, transfer of funds, profits, etc. These commissions range from 2 to $2\frac{1}{2}$ per cent, according to turnover.

A license must be obtained for the operation of flax-working plants. These plants enjoy the right of buying flax from the farmer at prices agreed upon by the working plant and the grower. The plant, however, must turn

over its entire output to the Monopoly at fixed prices. The prices which the Monopoly pays for worked flax are so arranged that the profits received by the Government will be the same as if the flax had been purchased directly by the Monopoly from the growers. The Flax Monopoly may grant credits to the flax working plants free of interest. In general it may be said that the entire activities of the flax working plants are subject to rigid Government control.

On December 5, 1931, the Government announced the prices which the Monopoly would pay for all domestic flax of the 1931 crop delivered to its licensed purchasing agents. The new flax prices are 53 per cent lower than the prices fixed for the 1930 crop. These prices are as follows:

Fixed monopoly purchasing prices for flax

Grade	New price		Old price	
	Lats per kilogram	a/ Cents per pound	Lats per kilogram	a/ Cents per pound
White Crown and Green Crown Flax:				
R or ++R+	0.66	5.78	1.40	12.26
ZK or +HD+	0.56	4.90	1.22	10.68
SPK or SFPHD	0.46	4.03	1.04	9.10
PK or FPHD	0.36	3.15	0.86	7.53
K or PHD	0.28	2.45	0.68	5.95
W or HD	0.20	1.75	0.50	4.38
D or LD	0.14	1.23	0.34	2.98
S	0.08	0.70	0.20	1.75
Tow:				
First grade	0.40	3.50	0.76	6.65
Second grade	0.30	2.63	0.58	5.08
Third grade	0.20	1.75	0.42	3.68
Fourth grade	0.10	0.88	0.26	2.28
Building Tow	0.04	0.35	0.04	0.35

a/ Conversion into U. S. currency made at par (Lat = $0.193).

In the early years of its existence the newly established Republic of Latvia found that revenue obtained from its flax monopoly was one of its principal sources of income. Of late years, however, the flax monopoly has ceased to be an important factor in balancing the budget. Moreover the flax yields have become unsatisfactory due probably to soil exhaustion resulting from continuous plantings in the same areas. Latvia's strongest competitor in the world's flax market is Soviet Russia, which country has continually been frustrating the calculations of the Latvian Flax Monopoly through arbitrary price rulings. Efforts made to bring about an agreement between the

two countries governing the sale and export price of flax have met with no success. Recently the decline of prices on the world market and the increasing alleged "unfair competition" offered by Russia have caused the Monopoly to lose larger and larger amounts of money, and it has been obliged to borrow from the Bank of Latvia. Increasing pressure is being brought to bear with a view to abolishing the Monopoly. It was stated early in 1932 that its affairs are rapidly approaching a crisis.

The Government announced on March 23, 1932, that it would grant a subsidy amounting to 25 per cent of the flax straw prices fixed by the Decree of December 5, 1931, on all flax and tow delivered to the Government from December 5, 1931, to September 15, 1932. This subsidy will also be granted to farmers for flax delivered to manufacturing plants. The subsidies will be issued in the form of so-called "flax reception documents." Holders of flax reception documents are to use them to redeem loans granted for the purchase of seed and animal feed.

7. Special aid for amortization of seed loan debts - On January 31, 1932, the Latvian Ministry of Agriculture announced that barley would be accepted from farmers by the Government in payment for seed loan debts. In accordance with the regulations issued as of that date, the farmers are permitted to repay with barley such of their seed loan debts to the Government, as were contracted prior to November 20, 1929. The value of the barley for the repayment of these debts has been fixed as follows: 30 lats per quintal ($1.26 per bushel) for dried barley and 27 lats per quintal ($1.13 per bushel) for undried barley. The indebtedness of farmers to the Government for loans contracted since November 20, 1929, however, must be paid in cash. This regulation is of particular interest in that it indicates the frozen condition of the debts of Latvian farmers and the method adopted by the Government to relieve the situation.

LITHUANIA

In Lithuania, where 85 per cent of the population is engaged in agricultural pursuits, the Government has been especially active in the field of agrarian relief. The relief extended has taken various forms, such as long term loans granted at low interest rates, special encouragement to cooperative societies, improvement in the quality of goods exported so as to make it possible for the product to realize top prices, tariffs and other forms of subsidy. Special attention will be given here only to such measures as have a direct bearing on price, such as tariffs, subsidies, and other forms of price maintenance. Subsidies have been granted by the Lithuanian Government for the breeding of pigs and for the export of bacon, as well as for assistance in one form or another to producers of cereal grains, flax, sugar beets and dairy products.

1. Tariffs - Lithuania maintains tariff duties on a wide range of agricultural and industrial products, her tariff policy being definitely protective. Many changes in the duties have been made in recent years

but in general it can be said that the tendency has been towards higher rates, particularly on agricultural products. The year 1931 was particularly noteworthy because of the large number of increases in the duties made that year. On March 31, for example, the Lithuanian Cabinet of Ministers increased the import duties on all of the principal commodities imported into the country. The duties on foodstuffs were increased by margins ranging from 20 to 100 per cent. Among the commodities for which the duties were increased during 1931 were sugar, rice, coffee, tobacco, flour (other than wheat flour) grits, certain seeds and nuts, hops, fish, oranges, grapes, condensed and powdered milk, and a long list of other agricultural as well as manufactured products.

The cultivation of grain and flax is the chief basis of agriculture in Lithuania. Flax is an important item of export but bread grains are not produced for export. Although an exportable surplus of the latter is sometimes available, the country more frequently finds it necessary to supplement the domestic production of wheat and rye by imports. Producers are now protected by a duty of 0.10 Lits per kilo (25.40¢ per bu. at par) on rye and of 0.30 Lits per kilo (81.65¢ per bu.) on wheat. Wheat and rye flour are dutiable at 0.55 Lits per kilo ($2.49 per 100 lbs.).

In recent years there has been a marked tendency towards dairy farming and the development of a livestock and meat industry. This tendency has been promoted by the low prices of grain and a realization that climatic and soil conditions are more suitable for an expansion in the growing of forage crops for feeding livestock than in the growing of bread grains. Dairy products, livestock and meat products, therefore, have been given special tariff protection in recent years. Some of the duties on these products at the present time are as follows: Butter, 4.00 Lits per kilo (18.2¢ per lb.); fresh, salted, smoked or dried meat and sausage, 0.75 Lits per kilo (3.4¢ per lb.); and bacon, 2.00 Lits per kilo (9.1¢ per lb.)

In order to protect the domestic sugar industry the Lithuanian Government greatly increased the import duties on granulated and lump sugar during 1931. On January 1, 1931, the import duty on granulated sugar was raised from 0.45 Lits per kilo (2.0¢ per lb.), to 0.60 Lits per kilo (2.7¢ per lb.), and on October 15, 1931, to 0.70 Lits per kilo (3.2¢ per lb.). The import duty on lump sugar during the period was raised from 0.50 Lits per kilo (2.3¢ per lb.) to 0.75 Lits per kilo(3.4¢ per lb.)

Duties are also levied on a long list of other agricultural products but the examples given will serve to indicate the general policy of the government in regard to the tariff as a means of aiding the farmer. The rates given are those applicable to treaty countries, such as the United States. The rates on goods from non-treaty countries are, in general, considerably higher.

2. <u>Legislation for the maintenance of hog prices</u> - The Lithuanian Government has been taking active steps to maintain prices paid producers of bacon type hogs ever since the middle of 1930. It was felt that the bacon export trade of the country could not be developed and maintained

except with a government subsidy. This the government has undertaken by setting up a schedule of fixed prices to be paid for hogs intended for export, and subsequently establishing a semi-official monopoly of the bacon export trade. The government activities along this line since the middle of 1930 group themselves into three phases.

The first phase began with a law promulgated on July 19, 1930, the purpose of which was to maintain domestic prices of bacon type hogs at a relatively high figure so that hog raisers would be assured an income commensurate with hog prices on the British market. This law provided that all export slaughter houses would be under the control of the Ministry of Agriculture. Moreover, these slaughter houses were required to pay farmers fixed prices for live hogs, varying with the weight of the hogs and the month of the year. The law also provided that all losses suffered by the slaughter houses in the payment of the fixed prices were to be compensated by the Ministry of Agriculture.

The prices fixed in this law for live hogs for export slaughter were as follows:

Prices fixed for live hogs for export slaughter a/
(Under the law of July 19, 1930)

Classification	Weight	Basic price Lits per 50 kilos	In U. S. currency Per 100 lbs.
	Kilos		
(a) First-class hogs to be used for bacon	83.5 to 90.0	100	$9.07
(b) Second-class hogs to be used for bacon	(80.0 to 83.0 (90.5 to 100.0	95	8.62
(c) Hogs not to be used for bacon but good for export	---	70	6.35

a/ Prices delivered to packing plants.

The law provided further that during the months of November, December and January, the price per 50 kilograms of live weight would be 7 Lits (63.5¢ per 100 lbs.) less than the basic price, and during the months of July, August and September, it would be 7 Lits (63.5¢ per 100 lbs.) higher. These prices were to remain in effect for the following periods: (a) for hogs to be used for bacon - to the end of the calendar year 1934; (b) for hogs not to be used for bacon - to the end of the calendar year 1931. It was also provided that if at the beginning of the calendar year 1932, prices in the export market should fall to such a level as to make impracticable the payment in Lithuania, without loss, of 75 Lits per 50 kilograms of live weight ($6.80 per 100 lbs.), the fixed prices might be decreased by 10 Lits per 50 kilograms ($0.91 per 100 lbs.).

The second phase in the development of control of the bacon trade began with the amendment of the above law on February 17, 1931. The amendments consisted mainly of changes in the months during which the various fixed price levels for live hogs had to be paid. According to executives of the joint-stock-company "Maistas," which controls the bulk of the bacon production of the country, the amendments grew out of the experience of that company in its bacon export activities during 1930. It developed that the month of June ought to be added to the high price season because particularly attractive prices were necessary that month in order to induce farmers to bring their stock to the market in view of their heavy agricultural activities at that time. Experience also showed that foreign competition on the London market became particularly keen from August 1 to December 31. Therefore it was deemed advisable to reduce the high price period for the months of August and September and to transfer these months to the cheap price season.

The amendments to the law also made some changes in the classification of hogs as will be evidenced in the following tabulation of the new prices fixed for hogs under the law of February 17, 1931, delivered to packing houses and intended for export.

Prices fixed for live hogs for export slaughter a/
(Under the law of February 17, 1931)

Classification	In foreign currency Lits per 100 kilos			In U. S. currency per 100 lbs.		
	Feb. to May	June to July	Aug. to Dec.	Feb. to May	June to July	Aug. to Dec
1. Hogs suitable for bacon production:						
(a) First class, weighing from 83.5 to 90 kilos..	100	102	90	$9.08	$9.26	$8.18
(b) Second class, weighing from 80 to 83 kilos and from 90.5 to 100 kilos..	95	97	85	8.62	8.80	7.72
2. Hogs not suitable for bacon production:						
(a) Of the "bacon type" and weight but too fat......	75	77	65	6.80	7.00	5.90
(b) Ordinary, but suitable for export	60	70	60	5.44	6.36	5.44

a/ Prices delivered to packing plants.

The third and latest amendment in the price maintenance law became effective on January 1, 1932. The earlier regulations guaranteed a fixed price for bacon type live hogs delivered to packing houses and intended for export. The new law grants a legal monopoly of the bacon export trade to the already existing government-owned organization "the Maistas," and materially changes the system of price fixing. The law provides that the Maistas shall be the only legal purchaser of bacon type hogs intended for export. In granting "the Maistas" a monopoly of the bacon trade, the Government merely gave legal sanction to a situation already existing in practice, since that organization and its affiliated companies has virtually controlled the bacon-curing and packing industry of the country for several years, particularly as far as the export business is concerned.

The Maistas was organized in Kovno under private initiative in 1922 for the purpose of purchasing Lithuanian eggs for export. Its activities were later extended to butter, poultry, and livestock and meats. The company was sold on December 1, 1925, to several Lithuanian agricultural organizations which took over 85 per cent of its shares, leaving the remaining 15 per cent to the previous owners. In October, 1930, the company was amalgamated with the state-owned company "Lietuvos Exsportas" (Lithuanian Export), which maintained a bacon factory in Memel, the Lithuanian port on the Baltic Sea. Most of the shares of the reorganized joint-stock company, were purchased by the Lithuanian Ministry of Finance.

Thus when the new plan was adopted the Maistas was a government-owned organization. One of the outstanding features of the new plan, however, is that it provides for automatically increasing participation in the ownership of the company by the hog breeders themselves and the gradual transfer of ownership from the government to the producers. Breeders automatically acquire shares in the company in ratio to the volume of their transactions. The company is authorized to deduct 5.00 Lits ($0.50) per hog from its purchase price, this amount to be credited to the breeders' acquisition of the shares. The government is striving to interest farmers financially in the export trade and thus induce them to adapt their production to the requirements of foreign markets.

There were also important changes in the method of price-fixing. The former regulations providing for fixed prices and for time stipulations for the payment of ordinary, increased, and reduced prices (whereby a steady supply of hogs throughout the year was to be encouraged), are entirely abolished in the new plan. In contrast to the former practice, no specifications are provided in the present amendment for fixed prices on live hogs delivered to the slaughter houses. The new price maintenance scheme is based on the dead weight of the hogs.

Hogs suitable for bacon production are set aside, at each place of purchase, where they are ear-marked, weighed and registered, before being sent to the slaughter house. At this original place of purchase the breeders receive an advance payment of 70.00 Lits ($7.00) per hog. A final adjustment is made after slaughtering and grading. Upon the receipt of the hogs at the slaughter house, the breeders are given tickets on which are inscribed the number of hogs purchased, the weight of each hog,

and the ear number of each animal. The balance due the farmer is paid after an evaluation of the hog in accordance with its dead weight. The dead-weight is understood to be the weight of a slaughtered hog excluding entrails, such as lungs, liver, heart, throat, kidneys, stomach, and intestines, but including head, legs, and inner fat.

Slaughtered hogs are divided into three grades, according to quality (tenderness, firmness, leanness, etc.). The following prices have been fixed for the three grades of hogs ranging from 57 to 72 kilos dead weight (126 to 159 lbs.), these prices remaining in effect until July 1, 1932: Class I - 1.60 Lits per kilo (7.26 cents a lb.); Class II - 1.50 Lits per kilo (6.81 cents a lb.); Class III - 1.35 Lits per kilo (6.13 cents a lb.).

Grade III includes also heavy hogs with a dead-weight ranging from 72.5 to 79.5 kilos (160 to 175 lbs.), as well as light hogs with a dead weight ranging from 50 to 56.5 kilos (110 to 125 lbs.). Deductions are to be made from the fixed price for Grade III hogs, amounting to 0.15 Lits per kilo (0.7 cent per lb.) on light hogs, if their dead weight ranges from 55 to 56.5 kilos (121 to 125 lbs.) and amounting to 0.20 Lits per kilo (0.9 cent per lb.) if their dead-weight ranges from 50 to 54.5 kilos (110 to 120 lbs.). In order to protect domestic farmers against possible abuse on the part of buyers and also to acquaint breeders with the requirements for export, the weighing and grading of hogs is conducted exclusively by government agents.

3. <u>Guaranteed prices for sugar beets</u> - In order to promote the cultivation of sugar beets, the Lithuanian Government in 1931 guaranteed the payment of 4.00 Lits per 50 kilos (36.3 cents per 100 lbs.) for sugar beets, f.o.b. factory, for the three years 1931, 1932, and 1933. This measure was followed by an increase in the sugar beet area from 1,600 acres in 1930 to 7,400 acres in 1931. The Sugar Beet Growers' Association, composed of about 2,000 members, contemplated planting 19,000 acres of land in sugar beets in 1932, and 25,000 acres in 1933. It was estimated that this area would produce enough sugar to supply the entire needs of Lithuania and would remove all necessity for importation. In order to protect the industry the government decided to increase the import duties on granulated and lump sugar (see tariffs).

In other ways also the government has been manifesting increasing interest in the industry. A large factory, "the Akeine Bendrove Lietuvos Cukrus" (Joint Stock Company for Lithuanian Sugar), in which the government has predominant control, situated at Mariampole, began operating on October 15, 1931. The government has been promoting the domestic cultivation of sugar beets since the establishment of the "Cukriniu Runkeliu Augintoju Drougija" (Sugar Beet Growers' Association) in 1923, and now that there is a local sugar factory to absorb the entire sugar beet crop, this industry is expected to expand considerably. As an additional aid to producers the Minister of Communications on October 15, 1931, ordered a reduction, in most cases of as much as 50 per cent, in the railway freight rates on domestic sugar beets and their derivatives.

4. Regulation of clover seed imports - A law became effective on October 10, 1931, prohibiting the importation of clover seeds unless they complied with certain requirements. These requirements provided (1) that the seed must be mixed with certain other specified seeds; (2) that the imported seed must have a minimum purity and sprouting percentage; (3) that the seed be imported in specified sacks; (4) that the seed be imported through certain specified customs houses; and (5) that the seed be dyed with eozin dye before clearance through the Lithuanian customs. The purpose of the law is to protect the domestic clover seed industry and maintain prices for the domestic product. In normal years Lithuania has a surplus of clover seed for export and the production of hay and other forage plants is increasing as a result of the intensified breeding of animals and the augmented trade in fresh and preserved meats.

5. Aid to the dairy industry - Although no detailed reports are available describing the activities of the government in connection with aid to the dairy industry, there is fragmentary evidence indicating that direct aid has in fact been given. There is information indicating, for example, that the various subsidies granted by the Lithuanian Government to aid farmers during 1931 included Lits 10,000 000 ($1,000,000) for dairying and there are definite indications that at least a part of this grant was used to pay premiums to manufacturers of first-class butter.

There is more information available, however, concerning efforts of the government to bring about improvement in quality of butter exports. A rigid system of grade and quality control has been established for butter intended for export. The export dairy industry in Lithuania is largely concentrated in the hands of the "Pienocentras", an association of dairy cooperatives, which enjoys the support and cooperation of the Lithuanian Government. The main function of this organization is to promote the production and exportation of dairy products. This organization exports around 85 per cent of the total butter exports of the country.

6. Aid to the cereals industy - The Lithuanian Government, following the example of Latvia and Estonia, has attempted in recent years to guarantee stable and adequate prices to domestic farmers for home-grown wheat and rye. Reference has already been made (see Tariffs) to the tariff duties on wheat and rye. A law dated November 17, 1930, authorized the Lithuanian Government to purchase wheat and rye from farmers at fixed prices in order to establish a government grain reserve. These purchases are made through the "Lietukis" (Lietuvos Zemes Ukio Koperatyva Sajunga), a union of the Lithuanian agricultural cooperative societies, which has the backing of the government.

The basic price paid by the Lietukias for wheat and rye of a specified grade and quality during 1930-31 is reported as having been fixed at 16.00 Lits per 50 kilograms (87.1 cents per bushel) for wheat and 11.00 Lits per 50 kilograms (55.9 cents per bushel) for rye. These prices were for dry and clean grain of a fixed minimum weight per unit. It is also reported that these prices could be increased or decreased,

depending on the quality. While the production of wheat and rye constitutes an important phase of the agriculture of Lithuania the country frequently must supplement domestic supplies by imports. It is reported that the subsidies granted by the Lithuanian Government during 1931 included Lits 18,000,000 ($1,800,000) for assistance in one form or another to the grower of cereals, flax, and sugar beets. No information is available, however, as to what portion of this was for aid to producers of wheat and rye.

7. Export duties - On bran and certain grades of flax export duties are levied whose tendency, while restrictive as regards export of the particular products to which they are applied is concerned, is nevertheless beneficial to other agricultural producers. On November 14, 1924 an export duty of 6.00 Lits per 100 kilos (27.2 cents per 100 lbs.) was established on wheat bran, the object being to assure an adequate suppply of bran for the feeding of livestock. The amount normally needed for this purpose does not leave an exportable surplus. There are no Lithuanian export duties on grains, flours and meal, semolina, grits and groats, other bran, malt, starches, macaroni or similar products.

In order to improve the quality of Lithuanian flax exports and to secure better prices for the exported product, the government in 1929 established a government export flax control scheme whereby all raw (unworked) flax exported from Lithuania is subject to a tax of 20 Lits per 100 kilos (90.8 cents per 100 lbs.). This tax applied also to exports of all flax or oakum containing over 15 per cent of waste, as well as flax straw. The export tax on waste is fixed at 2 Lits per 100 kilos (9.1 cents per 100 lbs.). Worked flax (i.e., combed and hackled) and oakum containing not more than 15 per cent waste may be exported free of tax. This tax is obviously not a price bolstering measure so far as the taxed products are concerned; but it should tend to protect and encourage the preliminary processing of the flax within Lithuania and to raise the quality of the exports.

MEXICO

The Federal Government in Mexico has set up for its objective agricultural self-sufficiency for all products susceptible of production in Mexico but now chiefly imported. Despite the fact that Mexico is primarily an agricultural country, many of her food requirements have been imported. Formerly she was able to balance these import requirements with exports of raw materials such as gold, silver, lead, copper, petroleum, tropical fruits, coffee, bananas, cattle, and henequen; which found their principal markets in the United States. In recent years Mexico's ability to balance her imports has been greatly impaired and sheer necessity has forced her to restrict imports to absolute necessities.

Wheat lard hams, bacon, fruits, eggs, corn and vegetable oils have comprised Mexico's chief agricultural imports. These come

mainly from the United States. Decrees establishing quarantines against foreign wheat and corn imports, together with increases in the tariff duties on agricultural products have tended to restrict imports and thus to protect domestic agriculture. These restrictions, together with decrees limiting the amount of henequen that may be produced in Yucatan (in effect a limitation of exports of this product, of which the State of Yucatan up until recent years has had more or less of a world monopoly), constitute the chief items in the way of price maintenance measures. Other evidences of the Government's interest in promoting the agriculture of the country are to be found however in reclamation projects, colonization schemes, agricultural education, etc.

1. Tariffs - There has been a marked upward trend in the Mexican tariff during recent years, particularly as regards commodities that can be produced in Mexico. In the exercise of the constitutional powers vested in him by Congress the President of Mexico has from time to time authorized increases in a long list of products. Among the more conspicuous agricultural items included have been wheat corn, flour, dairy products, eggs, animal fats and oils, vegetable fats and oils, dried fruit and fresh fruit.

Complete details as to the various tariff revisions cannot be given here. The following statement taken from the International Customs Journal, Number 27, published in December, 1931, as to the duties in effect in Mexico will serve, however to illustrate the range and height of the tariff duties levied on agricultural products at the close of 1931. (The rates are given first in the original units, namely pesos and centavos per kilogram and then in their U. S. equivalents on the basis of the exchange quotation for April 18, 1932. The abbreviation K.G. means gross kilogram, and K,L., legal kilogram, the latter referring to the weight of the goods plus the first container). Hams and bacon, 0.50 pesos per k.l. (7.61¢ per lb.); pork lard, in tank cars, 0.20 pesos per k.n. (3.05¢ per lb.); pork lard in other containers, 0.30 pesos per k.n. (4.57¢ per lb.); fresh eggs, 0.40 pesos per k.g. (6.09¢ per lb.); oleomargarine, butter and cheese, 0.80 pesos per k.l. (12.18¢ per lb.); fresh apples, oranges, lemons, pears, peaches and grapes 0.35 pesos per k.g. (5.33¢ per lb.); dried prunes and raisins, 0.60 pesos per k.g. (9.14¢ per lb.); wheat flour 0.28 pesos per k.l. ($8.35 per bbl.); wheat, 0.10 pesos per k.g. ($0.91 per bu.); corn, 0.50 pesos per k.g. ($0.43 per bu.); common sugar, 0.18 pesos per k.g. (2.74¢ per lb.).

Among the duties on other important agricultural products other than foodstuffs the following may be mentioned: raw cotton, ginned or not ginned. 0.40 per k.g. (6.09¢ per lb.); unmanufactured Virginia tobacco and unmanufactured tobacco filler, 2.30 pesos per k.l. (35¢ per lb.); Sumatra tobacco, unmanufactured and similar tobacco (wrapper), as well as all other unmanufactured tobacco (wrapper) not specially provided for 3.10 pesos per k.l. (47¢ per pound); flock wool, cleaned 0.50 pesos per k.g. (7.61¢ per lb.); other flock wool not specially provided for, 0.35 pesos per k. g. (5.33¢ per lb.); carded wool, up to December 31, 1932, 0.90 pesos per k. g., and after January 1, 1932, 2.00 pesos per k.g. (13.7¢ and 30¢ per pound respectively); fleece wool, washed or scoured 0.75 pesos per k.g. up to December 31, 1932 and 1.50 pesos per k.g. after January 1, 1933

(11¢ and 22.8¢ per pound, respectively); raw or unwashed fleece wool, 0.30 pesos per k.g. up to December 31, 1932, and 0.60 pesos per k.g. after January 1, 1933 (4.57¢ and 9.14¢ per pound respectively).

2. Embargoes - A Presidential decree of March 5, 1931, published in the "Diario Official" of March 6, 1931, prohibited absolutely the importation of all species and varieties of wheat into Mexico, as a precaution against the introduction into that country of such diseases as "flag smut" disease and "take-all". The decree provided that imports would be permitted by special permit when the wheat was to be used for scientific purposes, the necessary precautions being observed by the Mexican Department of Agriculture and Public Works. The expressed purpose of this law was to protect Mexican wheat from such diseases.

Evidently, however, an additional, if not the main, reason for the quarantine was to prevent the dumping of excessive quantities of imported wheat on the Mexican market. On March 2, 1931, Chambers of Commerce in several cities of Mexico petitioned the Government to take immediate protective measures to prevent such dumping. It was pointed out that unless a higher tariff or some other protective measure was enacted Mexican wheat growers and dealers would face ruin. Specific reference was made to the fact that Russia at that time was selling wheat in Mexico at a price with which Mexican growers could not compete.

The absolute quarantine of March 5, 1931, against the importation of wheat was cancelled on July 29, 1931. At the same time a new decree authorized the Mexican Department of Agriculture to issue such special orders as it deemed necessary to prevent the introduction into Mexico of "flag smut" (Urocystis tritici) and "take-all" (Ophiobolus graminis). The decree also authorized the Mexican Department of Agriculture to publish a list of the countries or regions of the world affected by these diseases and provided that importers must apply to the Mexican Department of Agriculture for a permit covering the importation of wheat from affected areas.

On August 3, 1931, the Government published the list of foreign areas affected, and provided that from these areas wheat could be imported only under a prior permit. The regions designated as infested with "flag smut" (Urocystis tritici) were: Japan, China, Union of South Africa, India, Italy, Spain; and in the United States, the States of Illinois, Missouri, and Kansas. The regions designated as infested with "take-all" (Ophiobolus graminis) were: Argentine, Switzerland, Italy, France, Germany, Czechoslovakia, England, Denmark, Austria, Portugal, Hungary, Poland, Australia, the Union of South Africa, India, Japan; and in the United States the States of New York, Washington, California, Oregon, Arkansas, Kansas, Indiana, Tennessee, and North Carolina.

An embargo on corn was announced by a Presidential decree of March 25, 1931, published in "Diario Official" on March 28, 1931. This decree placed an absolute prohibition on imports into Mexico of corn and of a long list of products known to harbor the European corn borer. These products included grain corn, corn on the ear, green corn, and

all parts of the corn plant; broom corn and all parts of that plant; all varieties of sorghum including all parts of the plant; sudan grass and all parts of the plant; celery, rhubarb, and beets; cut flowers and entire plants of chrysanthemum, aster, cosmos, zinnia, mallow, hortensis, gladiolus and dahlia, except the bulbs without stems of the two latter; and straw of all kinds of cereals, as such, or when used as packing. The decree provided that imports of any of these products could be made under special permit when needed for scientific experiments. The decree specified that this quarantine might be modified in the event that an unquestionably adequate fumigation and sterilization method were found.

The above absolute quarantine against the importation of corn and of all plants and parts of plants likely to harbor the European corn borer was abrogated by a presidential decree effective July 3, 1931. This decree authorized the Mexican Ministry of Agriculture to take whatever steps it deemed necessary to prevent the introduction of the European corn borer into Mexico and to publish a list of infested regions. Exporters from those regions are required to secure permits from the Mexican Department of Agriculture before making shipments to Mexico of any of the products specified in the original decree.

On July 8, 1931, the Mexican Ministry of Agriculture announced the foreign areas regarded as infested and from which imports would be permitted into Mexico only under prior permit. The areas are the States of Michigan, Ohio, Pennsylvania, New York, New Hampshire, Massachusetts, Maine, Rhode Island, Connecticut, Vermont, New Jersey, West Virginia, and Indiana; the Canadian Provinces of Ontario and Quebec; the entire European Continent, Asia Minor, India, Siberia from the Ural to the Amur, Morocco, Algiers, and Tunis.

3. <u>Government control of henequen production in Yucatan.</u> - The Government of Yucatan, Mexico, has been attempting to maintain prices for henequen by curtailing production. Practically all of the henequen planters of Yucatan are members of the Henequeneros de Yucatan, Cooperativa Limitada, a semi-official cooperative society, organized in 1925, which purchases the fiber from the planters as produced and manages its storage and eventual marketing. The price paid the planter is nominally considered as an advance on the final price, and the balance is supposed to be distributed to the planters in the form of dividends. This society maintains an open credit account with the Banco de Mexico on which it draws up to three fourths of the amount advanced to growers, giving the bank a mortgage on the henequen received pending the eventual sale of the fiber. Up until the end of 1929 this arrangement worked out satisfactorily, the society not only selling all of its stock and repaying the loans but also building up a reserve of several million pesos.

However, the fiber market experienced a sharp decline early in 1930. The Cooperative Society endeavored to maintain the price of henequen at 8¢ per pound, c.i.f. American ports, this price being very close to the peak level late in 1929. Sales dropped far below production and stocks increased. Notwithstanding declining prices and increasing stocks, the Society continued to make advances to planters at a level

based on the quoted c.i.f. price. As a result the reserve fund was soon depleted. Stocks by the end of May, 1930, had mounted to an alarming level and the Society found itself unable to finance further purchases.

In order to protect its investment and to prevent new production from coming on the market in competition with the mortgaged stocks, the Banco de Mexico was forced to take over the control of the affairs of the Society. The c.i.f. prices were immediately reduced. Large sales (amounting to about one half of the production during the period covered), were made in August, 1930, at 4 5/16 cents per pound for delivery through June, 1931. Although stocks continued to accumulate this price was maintained until deliveries had been completed at the end of June, 1931.

Meanwhile, the steady increase in stocks had forced the Government to adopt a policy of artificial restriction by governmental decree. These stocks by the end of October, 1930, had mounted to 300,000 bales. Total suspension of all production, therefore, was decreed for the months of November and December, 1930, and upon the termination of that period another decree was issued restricting the production of each planter during the year 1931 to 80% of his deliveries during 1929, when production had been at an abnormally low level. This decree limited the total possible production to about 40,000 bales monthly but it remained in effect only until March 28, 1931, when another period of total suspension was decreed for 90 days.

When production was resumed in July, 1931 (i.e. at 80 per cent of the 1929 level), prices c.i.f. American ports were quoted at as low as 3 cents per pound. There was considerable fear that the industry would be unable to produce at these prices and that the resulting neglect of the plantations would lead to the disintegration of the industry. However, prices declined still further. A contract with an American firm which normally takes about one half of the total production was closed about the middle of September, 1931. The contract provided for the delivery of 150,000 bales by the end of Mardh 31, 1932, at $2\frac{1}{4}$ cents per pound, the lowest price in effect in Yucatan for a long period of years. Meanwhile growers continued to produce at the maximum capacity permitted by law, i.e., 80 per cent of their 1929 output. On December 29, 1931, the Governor of the State of Yucatan issued a decree extending the 80 per cent restriction through 1932. As late as March 1, 1932, stocks of henequen in Progreso and Merida were reported as amounting to approximately 309,000 bales, and prices remained very low.

NETHERLANDS

Generally speaking, the Netherlands has not adopted a policy of high protective duties for agriculture or for other branches of industry. Recently, however, there have been indications that the government is contemplating a change in its tariff policy. While tariffs have not yet been employed to any considerable extent as an aid to domestic farmers,

the government has intervened in other ways for the purpose of relieving the current agricultural crisis. Thus far, only the producers of wheat, sugar beets and livestock and meats have received such aid from the government. The measures adopted in behalf of these branches of agriculture have taken the form of restrictions on imports, such as wheat mixing regulations and import quotas, and a subsidy to sugar beet producers.

1. Tariffs - Netherlands has long been known as a "free trade" country. Such duties as were levied were low and were not "protective" duties. Recently, however, there have been indications that she may be on the verge of departing from her traditional policy of moderate free trade. On January 1 all ad valorem, and many specific, duties were increased by one-fourth, as an emergency fiscal measure to expire by limitation on December 31, 1934. This measure placed the tariff at a height where it must, to a certain extent, be regarded as protective. Among the increases in specific rates on bulk goods are the following (former duties in parenthesis): vegetable oils, 0.70 (0.55) florins per 100 gross kilos or \$0.13 (\$0.10) per 100 pounds; pork and bacon (except fresh or frozen), 0.75 (0.60) florins per 100 gross kilos, or \$0.14 (\$0.11) per 100 pounds; honey, 5.00 (4.00) florins per 100 gross kilos, or \$0.91 (\$0.73) per 100 pounds; crackers, yeast, preserved milk, sauces, soups, certain fish and meat extracts and preserves, and unmelted animal fats, 7.50 (6.00) per 100 gross kilos, or \$1.37 (\$1.09) per 100 pounds.

The same law provides for other (or further) increases which are to go into effect in the course of 1932, the rates in some cases superseding rate increases already made in this law. Among these increases, on bulk shipments, are the following: beef, fresh or chilled, 20 per cent ad valorem (10%); horse meat, fresh or chilled, 12½ per cent ad valorem (10%); frozen, salted, smoked or dried beef and horse meat, as well as other meats, fresh or preserved, and meat products, 7.50 florins per 100 gross kilos, or \$1.37 per 100 pounds. These were formerly dutiable at 0.60 florin, or \$0.11 per 100 pounds for certain pork and bacon, and at 6 florins per 100 gross kilos or \$1.09 per 100 pounds, for other meats and meat products. Supplementary devices that have been adopted in the Netherlands during the past year, however, give a clearer indication of the trend towards protectionism. These will be discussed under separate headings, below.

2. Wheat and wheat flour mixing and milling regulations - The Netherlands early in 1931 adopted a system of milling regulations as the central feature of a broader plan of organization of her wheat flour industry and trade which enables the Government directly to fix and maintain prices paid for domestic wheat. Legislation authorizing the Minister of the Interior to regulate and control the wheat and wheat flour trade of the country was passed on February 19, 1931, and is known as "The Wheat Act, 1931". This Act provides that the Government may issue regulations regarding the delivery of domestic wheat as well as the composition, transport, storage, and delivery of wheat flour, and may prescribe records to be kept by all those handling it, provided, however, that it does not require wheat flour to be composed of more than 25 per cent of that milled from domestic wheat. The law is to remain in force until

August 1, 1934. Under its general provisions several decrees have been issued, establishing two broad classifications for wheat flour, fixing the amount of domestic wheat that must be present in ordinary wheat flour, setting up a series of organizations for administering the plan, and authorizing the Government to fix prices of domestic wheat.

One of the first decrees issued under this law was "The Wheat Decree of 1931", issued on July 2, 1931. This decree classifies all flour handled in the Netherlands as either "Wheat flour A" or as "Wheat flour B". All flour that complies with the mixing regulations to be issued from time to time by the Government is placed in the "A" classification. This is the flour that must be used by bakers for bread baking. The amount of domestic wheat to be used in "A" flour was fixed on July 8, at 20 per cent. This was increased on September 7, 1931, to 22½ per cent, where it stands at present.

However, Dutch wheat is not of the proper quality to enable its use in the manufacture of certain pastry products extensively consumed in and exported from Holland, unless a larger percentage of imported wheat is used than permissible under the "A" flour classification. For that reason all flour used for such purposes has been placed in a "B" classification. This classification includes flour used for the manufacture of such special articles as crackers, macaroni, vermicelli, wheat starch and self-rising baking flour, for all of which a flour containing a higher percentage of imported wheat than that allowed in flour "A" is necessary.

The storage, handling, transportation, and use of this "B" flour is subject to the strict supervision and regulation of the Government. "The Wheat Decree of 1931" provides that no one can handle "B" flour except pursuant to instructions and for the account of an incorporated association authorized by the Government to regulate the trade in "B" flour. This incorporated association is known as the "Meele Centrale" (Flour Central). The management of the Flour Central is made up of fifteen members representing all groups of sellers and buyers. It rigidly controls the rationing and distribution of such quantities of unmixed foreign flour as may be required by the domestic pastry manufacturing industry. Instructions have been issued to the effect that while trading in "A" flour will not be subject to official control, foreign flour can be purchased only against certificates of importation issued by the "Flour Central".

In providing for the regulation and control of "B" flour, Article 3 of the "Wheat Decree of 1931" specifies that no one can stock "B" flour except on condition that it is to be used (a) to make products for the export trade, (b) to make certain products specified by the Government and (c) in establishments using in a specified period of time a certain quantity of "A" flour in which case both the period of time and the quantity of "A" flour to be used will be fixed by the Government. The period of time during which the establishments referred to in this

last subsection may use "B" flour, was fixed by the Government on July 8, 1931, at six months. The decree of that date ("Wheat Order of 1931") also provides that these establishments during these six months must use at least 19 parts of "A" flour to one part of "B" flour for bread making and 5 parts of "A" flour to one part of "B" flour for pastry baking. After this period of six months the establishments may carry only enough "B" flour in stock to meet the requirements for a period of one month. It has been reported that the formalities prescribed for the use of "B Flour" have proved to be so cumbersome that many bakeries have decided to use only straight "A Flour" without regard to the ultimate quality of their product.

Article 1 of "The Wheat Order 1931" dated July 8, 1931, provides that all of the domestic wheat used in the manufacture of "A" flour must be supplied through the medium of (a) a local wheat organization within whose district the wheat is grown or (b) a central wheat organization both of which have been approved by the Government. Subsequent information received from semi-official sources indicates that this wheat must be purchased at prices fixed by the Government. More will be said about these fixed wheat prices in a later paragraph.

In accordance with Article 1 of the above-mentioned decree eight provincial organizations, covering all provinces of the Netherlands, have been formed. The purpose of the organizations is to promote the interests of wheat growers in their respective districts and to supervise wheat culture, storage, shipments, and delivery in accordance with the regulations issued from time to time under the provisions of the Wheat Act. All farmers wishing to derive advantage from the Wheat Act have to become members of the provincial organizations. The eight provincial organizations have formed a central body called the "Central Wheat Organization", which is the only recognized seller of domestic-grown wheat in the sense of the Wheat Act.

Another organization growing out of The Wheat Act of 1931 is the "Vereeniging von Inheemsche Tarive Afnemers" (Association of Inland Wheat Consumers), usually referred to as the "V.I.T.A.". This is the wheat buying organization of the Dutch flour millers. Its principal purpose is to see that all members participate to the same extent in the extra expenses caused by the Wheat Act, and to prevent undue competition. All purchases of the prescribed quantity of domestic wheat are made on conditions which are the same for all members. The resources of the "V.I.T.A." consist of a commission charged on purchases of inland wheat made by its members.

The average price for domestic wheat of the 1931 crop was fixed by the Minister of Interior and Agriculture at 12.50 fl. per 100 kilograms ($1.37 per bushel), which is said to be more than twice the prevailing cost of the best foreign wheat. On the basis of this average price the following prices were established for the various qualities of Dutch wheat purchased by the "V.I.T.A.":

Prices paid for Dutch wheat by the V.I.T.A.

Grade of wheat	Florins per 100 kilos	In U. S. currency per bushel
Wheat for brown bread -		
Prime quality (white) ...	15.85	$1.73
Wheat for white bread -		
First quality (white) ...	14.85	1.62
Second quality (white) ..	13.85	1.52
Third quality (white) ...	12.85	1.41
First quality (red)	14.35	1.57
Second quality (red)	13.85	1.52
Third quality (red)	13.35	1.46

The foregoing prices were paid by the members of the "V.I.T.A.", namely the Dutch millers, to the "Central Wheat Organization". In addition they had to pay the "V.I.T.A." its commission which amounted to 1/2 per cent on purchases of over 10 metric tons, (367 bushels), and 1 per cent for smaller parcels.

3. Import quotas - On December 24, 1931, a law became effective in the Netherlands, authorizing the government to restrict imports of any commodity by establishing import quotas for the various articles by periods and by countries, whenever such action was deemed necessary in order to keep imports of such products within normal bounds. A subsequent amendment provided that Parliamentary sanction must be secured for any quotas established under the terms of the law. The law is to remain in effect for a period of two years.

Under the import quota law each country exporting a commodity subject to quota to the Netherlands receives an allotment proportional to the average imports of that product into the Netherlands during a preceding period of not less than two years, the same proportion of quota to previous imports being applied to all countries. The law provides that no imports of a product subject to quota shall be brought into the country unless a license has been obtained by the importer from the Minister of Commerce, Labor and Industry. A licensing committee was set up to issue the individual licenses to importers on the basis of their import trade with foreign countries during the periods specified.

The law also authorizes the Minister of Commerce, Labor and Industry to issue regulations concerning the requirements that must be complied with in regard to certificates of origin for goods subject to quota restriction. Documentary proof of origin of merchandise subject to quota is required in order to assure that no imports in excess of the quota will be made from any of the countries concerned.

The first quota established by the Government in accordance with this law was on fresh, chilled and frozen beef and veal. This decree, effective from January 16 to April 16, 1932, provided that imports of

these products from any country must not exceed 60 per cent of the average imports from that country during the corresponding period of the years 1928-1930. A fee of 1.50 florins for every 100 kilos (27¢ per 100 pounds) or part thereof is charged for the issue of these licenses. The quota law was subsequently applied to footwear, outer and under-clothing, and piece goods and tissues of wool and on April 18 to butter. No new application of quotas to agricultural products have been made since April 18.

4. Subsidy to the sugar beet industry - The Government of the Netherlands began paying a subsidy to domestic sugar beet growers during 1931. Recent reports indicate, however, that because of the condition of the Treasury the Government may not be able to continue the subsidy after 1932. This subsidy is paid on a sliding-scale basis. The maximum subsidy that may be paid to growers during 1932 has been fixed at Florins 4.50 ($1.80) per metric ton of so-called "Guarantee beets".

"Guarantee beets" are considered to be those quantities produced by each grower equal to 80 per cent of his average production during the three years 1928-1930. The subsidy will be reduced as the price of sugar rises from the basic price of Florins 8.56 ($3.42) per quintal to Florins 12.36 ($4.94) per quintal. It is further understood that, in the event the price of sugar increases to Florins 9.73 ($3.89) per quintal, the subsidy will be decreased by 7/10 of the increase in the price of sugar above the base mentioned above. In the event that the price of sugar increases above Florins 9.73 ($3.89) per quintal, the subsidy shall be decreased by 14/10 of the increase above the new base of Florins 9.73 ($3.89) per quintal, plus one-half of the sum by which the income from pulp and molasses exceeds Florins 4.00 ($1.60) per metric ton.

In this connection it should be noted that Java, which is a Dutch possession, is a member of the Chadbourne Sugar Plan, i.e., the agreement among certain nations for regulating the exportation of sugar. For further details as to the Chadbourne Plan, see the discussion under Cuba.

NEW ZEALAND

New Zealand is predominantly an agricultural (pastoral) country, with most of her agriculture on an export basis; hence much of the government effort to assist farmers in getting a better return for their products is concerned with export aid. New Zealand's exports are composed almost entirely of primary products, the largest items being butter, frozen meats, wool, cheese, and hides and skins. Mutton and wool production and dairying are the largest of her agricultural enterprises; and in some districts fruit growing, especially the apple industry, is important. For some agricultural products New Zealand is on an import basis, and on many of these there are tariffs or other import restrictions tending to raise domestic prices.

1. <u>Control of export trade in principal commodities</u> - New Zealand has several Export Control Boards concerned with the overseas marketing of the most important agricultural products of the country. The best known are the New Zealand Meat Producers' Board, the New Zealand Dairy Produce Control Board, the New Zealand Fruit Control Board, and the New Zealand Honey Control Board. These organizations are operated privately by the producers, but in very close cooperation with the Government and partly through the financial support of the Government. Their principal object is to secure a better price for New Zealand agricultural exports by improving their quality, cultivating markets for them, and obtaining orderliness in shipping. Their operations thus include the arrangement of bulk freight contracts, handling at ports, storing, grading for quality, maintaining close contacts with agents and buyers, and exhibiting and advertising of the product. In one instance, namely in connection with apples, their operations extend even so far as the guaranteeing of minimum prices for exports meeting prescribed standards; though in fact little has had to be paid out by the government to maintain such prices.

The New Zealand Meat Producers' Board is supported by a levy of two pence per carcass of lamb or mutton and one penny per quarter on beef. It maintains organizations in New Zealand and in London and spends about £15,000 a year ($73,000 at par) in publicity and display, mostly in meat trade shops. This Board, dating from 1927, was the first of several established. As set up by the Meat Export Control Act of 1922, the Board consists of eight members, five elected by the sheep-farmers, two appointed by the Government, and one elected by the stock and stations agents, who finance many of the farmers. The Act provided that "no contract for the carriage by sea of any meat to be exported from New Zealand shall be made, save by the Board, acting as the agent of the owners of that meat or of other persons having authority to export that meat ....." The Board has "full authority to make such arrangements and give such directions as it thinks proper for the following matters: (a) for the grading, handling, pooling, and storage of meat; (b) for the shipment of such meat on such terms and in such quantities as it thinks fit; (c) for the sale and disposal of meat on such terms as it thinks advisable; (c) for the insurance against loss of such meat ...; and (e) generally for all such matters as are necessary for the due discharge of its functions in handling, distributing, and disposing of New Zealand meat". The Act further provides that "for the purpose of enabling the Board effectively to control the export, sale and distribution of New Zealand meat the Governor-General may ...... prohibit the export from New Zealand of any meat save in accordance with the determination in that behalf of the Board". He may also make regulations prescribing the maximum charges to be paid by way of levy on the country's meat exports and any other regulations that may be necessary to make the Act effective.

Under the Dairy Produce Export Control Act of 1923 a Board was set up to control the sale and shipment of butter and cheese in the interest of New Zealand producers. The Board consists of two Government nominees, nine representatives of the suppliers to dairy factories, and one representative of the manufacturers of dairy produce. It was created in order

to bring under centralized control the many farmer-owned dairy factories. Funds for its administration are derived from nominal levies on all butter and cheese exported. The rates as of September, 1931, were 1/32 of a penny per pound on butter and 1/16 of a penny per pound on cheese (1/16 and 1/8 of a cent per pound, respectively, at par).

Under the original act, the Board (known as the New Zealand Dairy Produce Control Board) was given the power to exercise either limited or absolute control over exportation. The marketing organization has assumed various forms ranging from absolute government control to private initiative on the part of powerful groups of cooperatives. A brief and unsuccessful experiment in absolute control involving price-fixing was made in the critical period of 1926-27, but it was followed by a rescinding of the absolute-control provision and a considerable curtailment of the functions of the Government Control Board.

At the present time the Board functions mostly as a grading and shipping agency. Butter is graded in New Zealand by government officials. The Board has freight contacts with three separate shipping lines, and the shipment of butter is regulated, particularly as to destination, effort being made to prevent too great a concentration upon a single foreign market and to cultivate new markets. As part of its program of securing better markets, the Board spends some £15,000 a year for advertising. When occasion demands, the Dairy Control Board also exerts considerable influence over the methods of manufacturing export products, particularly cheese. Acting upon the advice of the Board, the Minister of Agriculture announced in July, 1931, that from the beginning of the new export season the Dominion Government would allow nothing but full cream cheese to be exported from New Zealand. Previous standards had permitted a "skim milk" article to be placed upon the British market, much to the detriment of the New Zealand trade. The Board raised the standard by requiring a fat content of over 54 per cent of dry matter.

The New Zealand Fruit Export Control Board functions much as the two Boards already described, maintaining close contact with the Government and managing the flow of exports of its particular commodity from the country. Toward the close of 1931, New Zealand fruit was paying a levy of 1½d. a case (3¢ at par) to meet costs of administration of the control regime.

The Board has been particularly active in connection with apples. All of the producers exporting apples except the growers in the Otago district participate in the Export Control Board. On exports of the better grades of apples the Government has, since 1927, maintained guaranteed minimum prices, and the Board administers this guarantee. The purpose of the guarantee is to encourage improvement in the quality of the apples shipped out of the country. For the extra fancy and fancy grades of the more important varieties of apples a price of 11 shillings a box ($2.67 at par) on the overseas market is guaranteed. (An earlier guarantee had amounted to 1d. a pound). The sum of 7 shillings a box ($1.70 at par) is guaranteed for the extra fancy and fancy grades of the less im-

portant varieties and for good grades of all varieties. A single exception relates to Sturmers, on which the guarantee is 11 shillings a box only up to April 30th, after which it is 7 shillings a box irrespective of grade. These guarantees apply only to apples shipped on or before May 25, by which time the shipping season normally comes to a close.

The Government guarantee provides little direct benefit to the exporter in the form of a cash return. Amounts paid by the Government for the years 1927-1930, inclusive, averaged as follows (converted at par): in 1927, no claims; in 1928, 0.178 cent per case; in 1929, 0.0034 cents a case; and in 1930, 1.76 cents a case. These amounts were derived partly from the 3 cents a case paid by the exporter to cover the various expenses of administering the control, and partly from Government funds.

The New Zealand Honey Control Board likewise is concerned chiefly with export trade. Honey shipped out of the country pays a levy of 1/16 of a penny a case (1/8 of a cent, at par). The packing and distribution are attended to by one well-known concern of packers and the Board provides the necessary advertising. Honey must be forwarded to the grading-stores at any one of eight ports for classification prior to export and may be exported only through these ports.

2. Commercial agreements - In common with the other British self-governing Dominions, New Zealand endeavors to secure favorable outlets for her exports through the medium of imperial preference. She has been a party to such arrangements both with the mother country and with the other Dominions. In September, 1922, a reciprocal tariff agreement became effective between Australia and New Zealand. Subject to modifications in 1922, 1926, and 1928, this is still in force. Until October, 1930, exports from New Zealand enjoyed preferential entry into the Canadian market by reason of a commercial treaty. This treaty was especially beneficial to the New Zealand butter industry. From 1928 to October, 1930, when the treaty was abrogated, the annual Canadian takings of the New Zealand surplus rose from 13.6 to 39.7 million pounds.

On December 10, 1931, a most-favored-nation commercial treaty was entered into with Belgium. Under this agreement the duty on butter was fixed at about 7 per cent ad valorem, and that on frozen lamb at an equivalent of about 11 per cent. On fresh meat the duty was reduced from 3s. to 1s. a case (from 73¢ to 24¢, at par). Tallow, hides, skins, greasy wool, and phormium tenax entering Belgium from New Zealand were admitted free of duty. This treaty was the first to be negotiated directly with a foreign country by New Zealand under the latitude given the British Dominions by the Imperial Conference of 1926. A similar most-favored-nation arrangement had been agreed upon with Japan, but not in treaty form.

3. Tariffs - New Zealand has high tariff rates on many agricultural products. For some agricultural products she is on an import basis and hence in a position to use the tariff as a means of supporting prices. This is notably true of wheat, barley, and tobacco. Other products, such as apples, butter, and fresh meats, are on an export basis, making largely

nominal any duties levied on them. Still other commodities are duty-free, cotton, rice, prunes, and raisins being among these.

With regard to the duties imposed on products which New Zealand both produces and imports, it will suffice to mention as of greatest importance, wheat (and wheat flour), barley, and tobacco. Home-grown barley is protected by a levy of 21 cents a bushel plus a surtax of $22\frac{1}{2}$ per cent of the duty on barley imported for the manufacture of beer. Leaf tobacco receives the benefit of a duty amounting to 46 cents a pound (net weight) plus a surtax of 5 per cent of the duty.

The duties for both wheat and flour are on a sliding scale which serves both to restrict imports and to stabilize domestic prices. In the case of wheat, when the current domestic value at the port of export to New Zealand is 5s. per bushel of 60 pounds ($1.22 at par) the duty shall be 8d. (16¢) per bushel. But when the current domestic value at the port of export to New Zealand exceeds 5s., the rate of duty is decreased by $\frac{1}{2}$d. per bushel (1¢) for every $\frac{1}{2}$d. or fraction thereof by which the foreign domestic value exceeds 5s. In the opposite case, when the foreign value falls below the stipulated 5s., the New Zealand duty is increased, the amount of change being $\frac{1}{2}$d. in duty for each $\frac{1}{2}$d. decrease in foreign price, the same as above but in the opposite direction. The same sort of sliding scale is applied to wheat flour, including wheat meal and similar preparations of wheat. When the current domestic value at the port of export to New Zealand is £13 ($63.26) per short ton the duty is £1.12s. ($7.79) per short ton. But when the foreign value exceeds £13 per short ton, the rate of duty is decreased by 1s. (24¢) per short ton for every shilling or fraction thereof by which the foreign domestic value exceeds £13. In the opposite case, when the foreign value is below the stipulated £13 per short ton, a compensating increase of equal amount is made in the duty levied. A lower limit is imposed upon the sliding scale of duties on wheat flour by the provision that the current domestic value of wheat flour shall not in any case be deemed to exceed the f.o.b. export cash price thereof by more than £1.5s. per short ton ($6.08). All the foregoing conversions to United States currency are at par. In the early part of April, 1932, New Zealand exchange stood at about 30 per cent below par.

Some agricultural products, notably certain fruits, which are on an import basis for at least part of the year also receive the benefit of import tariffs. A duty is imposed on oranges amounting to $1.54 a hundred pounds (net weight) plus a surtax of $22\frac{1}{2}$ per cent of the duty. Canned peaches and pears pay a duty of 50 per cent ad valorem plus a surtax of $22\frac{1}{2}$ per cent of the duty.

On butter, meats, and apples, duties are imposed, but as these products are on an export basis, the duties are nominal. The duties on butter and fresh meats are 45 per cent ad valorem plus a surtax of $22\frac{1}{2}$ per cent of the duty. The rate on lard and pickled pork is 45 per cent ad valorem on the c.i.f. basis. Bacon, hams, and shoulders have a duty of 6.2 cents a pound plus a surtax of $22\frac{1}{2}$ per cent of the duty. The duty on

apples is \$2.31 a hundred pounds (net weight) plus a surtax of 22½ per cent ad valorem. On the other hand, wool, which is one of the most important exports of the country, is on the free list. Agricultural commodities not produced in New Zealand receive varying treatment. Thus there is a duty of 1.15 cents a pound on sugar, but cotton and rice come in free of duty.

4. Anti-dumping duty - In July, 1931, the Minister of Customs published a notice to the effect that the New Zealand anti-dumping duty would be imposed where applicable immediately upon importation of the offending goods and without further notice. Formerly three months' notice had been required. Anti-dumping legislation has been in effect for over a decade. The Minister of Customs is empowered to impose a duty on goods if the actual selling price of the importer in New Zealand is less than their current domestic value in the country of origin, if the selling price is less than the cost of production (including a reasonable profit) in the country of origin or in the country of exportation, or if special concessions have been granted by the exporting country which might be injurious to New Zealand industry.

5. Sanitary restrictions - The sanitary restrictions of New Zealand provide that imported fruit must be accompanied by two certificates of prescribed form, one signed by the shipper and the other signed by an officer of the Department of Agriculture of the country of origin, both certifying that no species of fruit fly is known to exist in or within one mile of the orchard where such fruit is grown. Similarly, grapes from the United States or Canada must be accompanied by both shipper's and inspector's certificates guaranteeing freedom from phylloxera and downy mildew. Potatoes must be accompanied by a certificate signed by a responsible (foreign) government official certifying complete freedom from any disease. The entry of pear, apple, or quince trees or any portion thereof is prohibited from any place in North America. To be imported into New Zealand from Great Britain poultry must be accompanied by an import permit issued by the New Zealand Secretary in London. The permit is issued when a certificate is furnished from a local veterinary surgeon to the effect that the birds are healthy.

6. Preferential tariff arrangements - In common with the other parts of the British Commonwealth of Nations New Zealand has long been an advocate of the so-called British Empire policy, the main objective of which is the establishment of a tariff wall around the British Empire with free trade or greatly reduced rates of duty on intra-Empire trade. Imperial preference proper was introduced in New Zealand by the preferential and reciprocal trade act of 1903, which followed the lead given by Canada (see section 3, Canada). This act increased the rates of duties on practically all items imported into New Zealand from countries outside of the British Empire but left the duties unchanged on a number of items imported from within the Empire. The list of items on which the preference is granted has subsequently been extended.

In accordance with this policy New Zealand has attempted to negotiate special trade agreements with the other parts of the Empire so as to secure preferences in those markets for the commodities which she

produces for export, such as butter, cheese ,, frozen meats, wool, hides and skins, and fruit. Such agreements have been entered into with South Africa, Canada, and Australia. In the Canadian market New Zealand farmers secure the British preferential or lower rates on such products as beef and veal, lamb and mutton, canned meats, prepared and preserved meats, sausage skins, lard, tallow, eggs, cheese, butter, hops, condensed and powdered milk, various field seeds, fresh pears and apples, canned fruits, honey, tobacco, wines, wool, New Zealand hemp (phormium tenax), hides and skins, and a number of other products.

In the Australian market New Zealand enjoys rates of duty lower than the British preferential rates on cheese, bacon, ham and tallow. In South Africa she secures a preference on butter, cheese, prepared cereal foods, hops and meats (other than bacon and hams). In the mother country she enjoys the preferences granted to all of the countries in the Empire on such products as sugar, dried fruits, tobacco, and hops, and on such products as may be exported to the British market free of duty under the Horticulture Products Act and the Import Duties Act (see the United Kingdom).

NORWAY

Tariffs, special regulations controlling the grain trade through the medium of a State Grain Monopoly, and the compulsory mixing of Norwegian butter with all margarine sold in the country, are outstanding among the agricultural price-supporting measures employed in Norway.

1. Tariffs - The tendency in Norway since the war has been towards increased tariff protection on agricultural products, and the Norwegian tariff now includes a considerable range of agricultural duties. In general Norway is a deficit producer of most farm products and has to supplement her domestic supplies by imports from other countries. This is particularly true of meats, cereals, flour, fruits, sugar, tobacco, hides and skins, and fodder for animals, which (in addition to coffee) constitute the most important of her agricultural imports. Agricultural exports are relatively insignificant, the bulk of the Norwegian exports consisting of wood and wood products and fish and fish products.

The following tariff rates, in effect late in 1931, and applicable to the United States, will serve to suggest the extent to which agriculture in Norway is aided by customs duties: Apples, $5.66 per 100 lbs. from August to January, inclusive, and $2.89 per 100 lbs. during other months of the year; bacon, $3.54 per 100 lbs.; hams and shoulders, not smoked, including sugar-cured, $8.49 per 100 lbs.; smoked ham and shoulders, $14.07 per 100 lbs.; lard $1.42 per 100 lbs.; milk and cream, condensed, sweetened, $2.83 per 100 lbs.; evaporated, unsweetened, $1.12 per 100 lbs.; oranges $0.18 per 100 lbs.; prunes, $2.12 per 100 lbs.; raisins, $0.76 per 100 lbs.; sugar $1.90 per 100 lbs. It should be noted that the above rates included surtaxes and other fiscal charges levied as of December 1,

1931. Since January Norway has levied additional surtaxes on practically all imports. Moreover, the Norwegian Parliament on January 13, 1932, is reported to have increased customs duties by 20 per cent on most imports. Among the exceptions are sugar and coffee, on which the increase was only 15 per cent.

2. Regulation of the grain trade - The Government of Norway maintained a monopoly for the importation, purchase and sale of grain and flour as early as May 14, 1917. That law grew out of the war-time food control and price-fixing measures. It gave the State the temporary but exclusive right to import grain and flour and provided for the purchase by the Government of all rye, wheat and barley of good quality offered by home producers at the same prices at which the State could deliver imported grain.

(a) Grain Monopoly Law of 1926 - As far as can be ascertained from reports available on the subject the above monopoly was extended from year to year until June 25, 1926, when a new law was enacted. Just how the new law differed from previous legislation is not clear from the meager reports available on the earlier laws. The new law of June 25, 1926, however, gave the State the authority to carry out four general functions: (1) to exercise a monopoly of the import trade in grain and grain products; (2) to exercise a monopoly for the purchase of domestic grain; (3) to exercise a monopoly for the sale of domestic grain and (4) to pay a direct subsidy to domestic producers of grain for their own use. This law was to go into effect not later than July 1, 1927.

As to importation the law gave the State the exclusive right to import wheat, rye, barley and oats and their milling products. It provided, however, that in the case of wheat, rye, and barley, the State could transmit this authority to those who in conformity with the law had received permits to import these products. Such licenses to import were to be granted only to those who had purchased from the State such quantities of domestic grain in ratio to the amount desired to be imported as the State might require. Permits to import oats or its milling products, however, were not to be issued except when certain price conditions prevailed. In the latter regard the law specified that if the Government saw that sufficient Norwegian oats could not be bought, except at prices which were considerably higher than the price of the imported product of equal quality delivered at a Norwegian port with the tariff included, then permits to import specified quantities could be issued.

With regard to acquisition of domestic grain the law authorized the State to purchase at fixed prices all of the domestic crop of wheat, rye and barley that might be offered by growers within a definitely limited period of time each year. The State purchasing price for first-class wheat, rye and barley, had to be equal at least to the price at which first-class imported grain could be delivered at Norwegian ports

exclusive of the tariff. For the lower grades of domestic grain, a proportional deduction was to be made in prices. The state prices to wheat, rye, and barley growers were to be the same at all the State warehouses, at each railroad station, and at every stopping place for steamers running on regular schedule. The transportation charges to these places from outlying districts were to be paid by the Government. In regard to the purchase of domestic oats the law specified that the State must purchase each year at least 15,000 tons (1,033,410 bushels) of Norwegian oats, if growers offered that much grain of good quality at the prices established by the Government.

With regard to sale of domestic grain, the law authorized the State to sell the best grades of wheat, rye, and barley to importers of grain and to millers at the price for which the best quality of imported grain could be delivered at a Norwegian port with the addition of the tariff. For an inferior quality of domestic grain a deduction in price was authorized. Moreover, for country mills the price was to be a little lower than for port millers. The decisions in regard to the sale of domestic oats were to be given separately from time to time by the King. The grain selling prices of the State were to be f.o.b. railroad station at point of delivery or at the stopping points for steamers traveling on schedule, whichever is nearest the buyer.

The law of June 25, 1926, also provided for the payment of a subsidy to all Norwegian grain growers who cultivated grain for their own use. When this grain was ground for the use of the grower the State paid him a subsidy of 4 ore per kilogram (about a half cent per pound) which, on wheat, would be about 30 cents a bushel. The subsidy was allowed on not more than 200 kilograms of grain per year for each member of the family and was paid only on certified proof of the grinding at the mill.

In general, therefore, the law of June 25, 1926, authorized the Government to buy domestic grain at world market prices minus the duty and to sell it to millers at a price which included the duty, the Norwegian farmer benefiting to the extent that he was guaranteed a market for his entire crop at world market prices, and to the extent of the government subsidy paid him for growing grain for his own use. The administration of this law was placed in the hands of a State Grain Office, consisting of five men appointed by the King. Briefly the functions of the State Grain Office were: to determine the ratio to be maintained between the Kingdom's imports of grain and milling products and the State's purchase of Norwegian grain and to establish regulations for apportioning the State purchases among the importers; to issue regulations regarding the State purchase of grain, including regulations in regard to time, place and manner of delivery; and finally, to determine the grades of grain according to quality and to fix the purchase and selling prices for these and the periods for which such prices were to be maintained.

(b) Grain Monopoly Law of 1928 - The monopoly established under the law of 1926 was replaced by a new monopoly organization on July 1, 1929, embodying many of the features of the previous law. The establish-

ment of the new monopoly was provided for in a general enabling Act passed on June 22, 1928, This Act gives the State the exclusive right to import and to export wheat, rye, barley, and oats and any milling products derived therefrom; authorizes it to take over any commercial mill in Norway, and requires the monopoly to purchase all of the domestic grown wheat, rye, barley and oats offered to it by growers. The King or his authorized representative is authorized to issue such special regulations from time to time as are deemed necessary to carry out the intent and purpose of the act. The entire grain trade of the state is managed by a director and a council. The former is appointed by the King and the latter, consisting of seven members, by Parliament. The director manages the daily grain operations of the state under the general supervision of the council.

The purchase of grain by the monopoly is effected through the medium of regional purchasing agencies which buy for the account of the monopoly. Purchases must be made whenever the grain is offered. The purchase price is the same for all purchasing agencies. However, if the grain has to be transported for more than 20 kilometers (12.5 miles) the producer receives an additional 5 ore per 100 kilograms (0.36 cents per bushel in the case of wheat) for every kilometer beyond 20 kilometers. The monopoly provides the sacks for the transportation of the grain. If the monopoly does not take delivery of the grain from the purchasing agent within one and one-half months from the date of the contract, it must pay the cost of storage until such time as delivery is requested.

The following tabulation gives the prices which the State Monopoly paid for Norwegian grain during the 1929-30 season:

Prices paid for Norwegian grain by the State Monopoly, 1929-1930

Period	Prices in kroner per 100 kilos				a/ In U. S. currency per bushel			
	Wheat	Rye	Barley	Oats	Wheat	Rye	Barley	Oats
1929:								
Sept.16 - Oct.24	26.25	21.00	19.50	17.00	$1.91	$1.43	$1.14	$0.66
Oct. 25 - Nov.24	25.00	20.00	18.50	17.00	1.82	1.36	1.08	.66
Nov. 25 - Dec. 5	23.50	19.50	18.25	16.00	1.71	1.33	1.06	.62
1929-30:								
Dec. 6 - Jan.13	24.50	20.00	18.50	16.00	1.79	1.36	1.08	.62
1930:								
Jan. 14 - Jan.30	24.50	20.00	17.25	16.00	1.79	1.36	1.01	.62
Jan. 31 - Mar. 1	23.75	18.00	16.25	15.00	1.73	1.23	.95	.58
Mar. 2 - Mar.17	23.00	17.25	15.25	14.00	1.68	1.17	.89	.54
Mar. 18 - May 22	22.25	16.50	14.50	13.00	1.62	1.12	.85	.51
May 23 - June 1	21.75	15.50	14.00	13.00	1.59	1.06	.82	.51

a/ Converted to United States currency at par of exchange, i.e., 26.8¢ to the krone.

The law of June 22, 1928, provides that the price to be paid for Norwegian grain by the monopoly will depend upon the prices for which the monopoly sells the corresponding flour. The actual prices paid by the monopoly are arrived at by deducting expenses for milling and waste from the state flour prices. A number of factors determine the state flour prices, among which are included such items as turnover expenses, freight charges, the expenses of the State Grain Organization, administrative expenses, etc.

3. Mixing of Norwegian butter with margarine - A measure designed to facilitate the marketing and consumption of butter was enacted in Norway on June 24, 1931. The law, which did not go into effect until November 1, 1931, required that all margarine manufacturers and importers add as much locally made butter or butter fat per 100 kilos to imported margarine and to the margarine manufactured in Norway as the Department of Agriculture should determine from time to time. Margarine made for the export market, however, was not subjected to this obligation. The addition of the required amount of domestic butter to imported margarine has to be done before the product is released to the trade. Importers must notify the Department of Agriculture when the blending is to take place.

The actual amount of butter to be mixed in margarine will be determined at quarterly intervals by the Agricultural Department so that all Norwegian butter for which there is no other market may, as far as possible, be disposed of and used with margarine. However, in seasons of large production it is expected that some storage of butter will take place to avoid any period of scarcity during a period of low production. The amount of butter to be used in this way will be controlled on the basis of three-months periods in such a way that for each 100 kilograms of margarine the factory or importer shall purchase the amount of Norwegian butter which answers to requirements. Quarterly reports are to be sent to the Department of Agriculture giving the figures for manufactured, imported, and exported margarine and purchase and consumption of Norwegian butter. The exact amount of butter to be mixed with the margarine is announced in special notices at least one month before going into effect.

The grade of butter desired may be specified by the buyer, but in general encouragement is given to the use of the cheaper grades of butter for mixing with the cheaper grades of margarine. Cream may be used in place of butter but in that case the butterfat content must correspond to the same percentage as if butter were used. If whole milk is used in the manufacture of margarine, the fat content of such milk may not be counted as part of the butter requirements.

Effective November 1, 1931, the Norwegian Ministry of Agriculture ordered that manufacturers and importers of margarine should purchase a quantity of Norwegian butter corresponding to $2\frac{1}{2}$ per cent of the margarine which they manufacture or import. From February 15, 1932, the amount of butter that had to be purchased by manufacturers and importers of margarine was fixed at $3\frac{1}{2}$ per cent.

4. Government encouragement of marketing facilities. - Great efforts have been made during the last three years to organize the marketing of agricultural produce by cooperation and the maintenance of definite standards of quality. The home market continues to be of primary importance, but it has also become desirable to find an outlet abroad for surplus production, and hopes have been entertained of securing a foothold in the United Kingdom.

As a first step there was established in Oslo in October, 1929, a cooperative association known as "Norske Eggcentraler" to deal with the marketing of eggs, and from March 15, 1930, the Ministry of Commerce, under powers conferred by a Law of August 8, 1924, introduced regulations providing for the control of butter and cheese intended for export.

On June 6, 1930, a temporary law was passed with the object of promoting the marketing of bacon, milk, cheese and butter. This law, which was brought into effect from January 30, 1931, provided for the establishment of a Marketing Council, whose duty it is "to collect and co-ordinate the necessary material and to submit proposals for the marketing of bacon, milk, cheese and butter by cooperation." In order to provide funds, which are to be administered by the Council, the Crown was empowered to impose a marketing tax on milk and bacon.

A tax of 0.2 öre per litre (0.51 cents per quart at par of exchange) was consequently levied from March 1, 1931, to February 29, 1932, on all milk sold direct by producers to dairies, cheeseries, milk-condensing factories and milk dealers. By a Royal Resolution of July 24, 1931, this tax was extended from August 1, to milk sold direct to consumers, the proceeds being applied to equalizing the difference in price between it and milk sold for manufacturing purposes. From March 1, 1932, the tax has been raised to 0.25 ore per litre (0.63 cents per quart).

By a Royal Resolution of March 13, 1931, a tax of Kr. 1.50 per whole carcase and 75 ore per half-carcass (40 and 20 cents respectively) was imposed on all carcasses of pigs passing through a public meat control institution between May 1, 1931, and April 30, 1932, and it has since been decided that the same tax shall be levied for the year beginning May 1, 1932. An organization of bacon producers was founded on June 15, 1931, under the name of "Norges Fleskecentral", and with the aid of loans from public funds, which are eventually to be repaid from the tax on totalisator betting, export slaughter houses for bacon are being constructed at Oslo and Stavanger.

The temporary law of June 6, 1930, was replaced on June 24, 1931, by a new temporary law in which eggs were added to the list of products concerned, but it has not yet been possible to devise a scheme for collecting a marketing tax on eggs.

POLAND

Government intervention in support of prices of agricultural products has been an outstanding feature of Polish economic policy. More industrialized than most of the other members of the Eastern European "agrarian bloc", Poland is nevertheless predominantly agricultural, 65 per cent of her population being engaged in farming. The major part of the country's exports consist of agricultural products, the most important of these being pork and pork products, eggs, sugar, butter, rye, barley, bran and fodder, cattle, peas, beans, flax, seeds of all kinds, and in recent years wheat; but she is on an import basis for cotton, wool, tobacco, hides and skins, lard, corn, many fruits and nuts, and of course for such tropical and semi-tropical crops as rice, tea, coffee, etc.

The measures which Poland has adopted in support of prices of home-grown products include, therefore, both import and export regulations, such as tariff duties; import quotas; export premiums; various devices for improving the quality of exported products in order to promote the sale of Polish products abroad; and membership in the International Sugar Agrement (Chadbourne Plan) limiting exports of sugar from the chief sugar exporting countries. Until recently she collaborated with Germany to control the bulk of the European rye exports in order to favor producers with a better price.

1. Tariffs - The customs policy of the Polish Government since it came into existence in November 1918, has been distinctly protectionist. A temporary customs tariff was drawn up on November, 1919, and became effective in January 1920. The main outlines of this tariff law consisted in the protection of local industries (both agricultural and industrial) and in the import free of duty of essential raw materials and of a certain number of goods which could not be produced in Poland. In view of the steady depreciation in the exchange value of the Polish Mark, frequent changes were made in the duties in subsequent years. Such changes consisted not only in actual increases in the basic rates but more frequently in the application of so-called "depreciated currency surtaxes", by which the basic rates of the customs tariff of 1919 were multiplied, in order to overcome the continued fall in the exchange value of Polish currency. On January 1, 1924, the Polish duties were placed on a gold basis so as to make them independent of the fluctuations of exchange. With the introduction of a new currency in Poland the duties became payable in zlotys.

On June 26, 1924, a new customs tariff was introduced which was also definitely protective in character. This act still remains as the basic tariff law of Poland although there have been frequent upward revisions in the rates of duty since that time, particularly during and since 1928. An enumeration of some of the more recent revisions will serve to indicate the extent to which tariffs have been utilized by the Polish Government for the protection of domestic producers.

On March 6, 1931, the duties were increased on rye, barley, oats, wheat, and all kinds of flour. For example the duty on rye was increased

from 11 to 17 zlotys per 100 kgs. ($0.31 to $0.48 per bushel, conversions at par); on wheat from 17.50 to 25 zlotys per 100 kgs. ($0.53 to $0.76 per bushel); on rye flour from 16.50 to 25 zlotys per 100 kgs. ($0.84 to $1.27 per 100 pounds); and on wheat flour from 25.50 to 37 zlotys per 100 kgs. ($1.30 to $1.88 per 100 pounds). Again on May 8, 1931, the duties were increased on a long list of animal and vegetable fats and oils and oleaginous raw materials. On November 20, 1931, the duties on fresh and salted bacon were increased from 80 to 160 zlotys per 100 kgs. ($4.06 to $5.08 per 100 pounds); on lard from 100 to 200 zlotys per 100 kgs. ($5.08 to $10.16 per 100 pounds); on smoked bacon from 120 to 240 zlotys per 100 kgs. ($6.10 to $12.19 per 100 pounds); and on margarine and artificial edible fats, from 100 to 200 zlotys per 100 kgs. ($5.08 to $10.16 per 100 pounds).

A recent development in the Polish tariff policy has been the imposition of lower duties on goods imported by sea than when imported over a land frontier. Thus, for example, the duty of fresh apples was reduced on January 14, 1932, from 258 to 200 zlotys per 100 kgs. ($13.11 to $10.16 per 100 pounds) provided they were imported through the Polish ports of Gdynia or Danzig, but were increased to 300 zlotys per 100 kgs. ($15.24 per 100 pounds) when imported through any other port. Poland also has a conventional rate on fresh apples. This rate is applicable to apples imported from the United States. The lower conventional rate was not changed and remains at 32.50 zlotys per 100 kgs. ($1.65 per 100 pounds) for boxed or so-called "fancy" apples and at 18 zlotys per 100 kgs. ($0.91 per 100 pounds) for barreled apples. It should be noted that fresh apples can be imported into Poland only from November 1 to April 30, inclusive, and then only under a permit from the Ministry of Finance (see Section 2).

Effective January 14, 1932, Poland removed raw cotton from the free list and imposed a tariff of 45 zlotys per 100 kilos ($2.29 per 100 pounds) on imports of that commodity. However, under a special permit from the Ministry of Finance, and if imported via the Polish port of Gdynia, the duty is to be reduced to 1 zloty per 100 kilos ($0.05 per 100 pounds). Likewise under permit from the Ministry of Finance, imports of cotton through any other customs point may be admitted up to December 31, 1932, at 1 zloty per 100 kilos ($0.05 per 100 pounds); from January 1, to December 31, 1933, at 6 zlotys per 100 kilos ($0.30 per 100 pounds); and from January 1, 1934, onwards at 12 zlotys per 100 kilos ($0.61 per 100 pounds). The major purpose of the duty on raw cotton is to keep cotton importing firms in the Spinners Cartel. The secondary purpose is to force the import of cotton by direct sailing to the new port of Gdynia. For many years Polish mills have imported American cotton almost exclusively through Bremen, financed for the most part either by German intermediaries or London banks. In the future it is hoped to effect direct imports by way of Gdynia.

In addition to the import duties Poland levies a so-called customs manipulation tax. Effective January 14, 1931, this tax on ordinary commercial shipments was increased from 10 per cent to 20 per cent of the duty. The manipulation tax on parcel post and express shipments remained

unchanged at 20 per cent of the duty. The special rates, minor in amount, which are collected as manipulation tax upon importation of duty-free shipments and of shipments for temporary free admission, were also doubled. For some time the Polish Government has been working upon a complete revision of the customs tariff. According to the latest reports (August 1, 1932) the new law will be put into effect early in 1933.

2. Import licenses and contingents - The most drastic step that can be taken in restricting import trade is to prohibit it. The import contingent or quota in practically all countries where it is used prohibits the importation of the commodity to which it is applied beyond a specific volume. The quantity that may be imported is in most cases based upon the quantity imported during some specified previous period. Poland has been applying this system of controlling imports for several years. In all cases where imports have been thus curtailed by the Polish Government importers have been required to secure import licenses from the Polish Ministry of Commerce and Industry. In that way all imports in excess of the quota established for each country and commodity were prevented.

Although in force in Poland for some commodities for several years, a more comprehensive application of the import contingent system was established by a decree of December 29, 1931, effective January 1, 1932. The decree of that date announced that the existing world economic crisis had forced the Polish Government to safeguard the vital interests of the country by imposing "temporary but absolute prohibitions" on the importation of cereals and pulse; flour and meal, groats, and malt; potato flour, starch, vermicelli, macaroni; vegetables and potherbs; fresh salted or boiled fruits (except fresh lemons, oranges, tangerines, grapes, and pineapples) and berries; all prepared fruits and berries; hops; fresh or salted sausage casings; raw hides and skins; certain vegetable oils; condensed milk; and a long list of manufactured products. These restrictions were effective January 1, 1932, except that they were not to affect goods shipped directly to Poland before January 1 and cleared by the Polish customs before January 30, 1932, or goods which were already in bonded warehouses in Polish customs territory on January 1, 1932. The reason for the establishment of the above general prohibition of imports was said to be the desire to compensate for losses inflicted on Polish foreign commerce by recent trade restrictions enacted in some of Poland's important export markets.

In connection with the decree of December 29, 1931, it was announced that permits would have to be secured for the importation of any article into Poland but that the absolute prohibition on the commodities abovementioned would remain in effect until conditions enabled the Government to establish import contingents permitting the importation of limited amounts of the commodities on the prohibited list. Such contingents, are far as American products are concerned, were subsequently established by special decree for specified months for fresh apples and sausage casings and for certain manufactured products.

3. Export bounties in the form of import certificates - Since early in 1929, when the policy was inaugurated on exports of hams and bacons (although previously in effect on some exports of industrial products), Poland has maintained on various agricultural products a system of import certificates similar in many respects to that in Germany. The Polish system provides for the issuance of so-called "negotiable customs receipts" on the exports of certain products. These "customs receipts" are given a fixed value and in some instances can be used by the holder in the payment of the regular customs duties on any merchandise imported and in other instances are directly redeemable in cash upon presentation at specified customs offices. This policy establishes a practical subsidy to exporters of such commodities as hams and bacon; salted, pickled, dried, smoked and preserved meats and lard; fresh or frozen beef, pork, mutton and veal; rye, barley, oats, wheat, flour, malt, and butter.

The above plan in Germany and other countries where it is utilized is generally known as the "Import Certificate System". In Poland, however, it is called the "Customs Certificate System". The Polish system differs from that in Germany mainly in the fact that the certificates issued on exports from Poland are acceptable in payment of duties on imports of any product whatsoever, while in Germany they can be used only in the payment of the import duty on definitely specified products. Moreover, the certificates in Poland in some instances have been made redeemable in cash instead of being used for the payment of import duties. This direct cash export bounty feature has not been applied in Germany.

The Polish "Customs Certificates" are issued by the customs offices under the general direction of the Polish Minister of Industry and Commerce. The latter is authorized to make certain that the certificates are issued only to firms that conform to specific regulations in the processing, grading, standardization and packing of their product. The decree of January 24, 1929, establishing the system of "customs certificates" for exports of hams and bacon, specified that these certificates would be issued only to exporters who could present to the customs officials a special authorization from the Ministry of Industry and Commerce and that the latter would issue such authorizations only to firms which complied with the official regulations as to manufacture, methods of grading and standards, packing, etc.

This qualification has remained in effect continuously since that time. In fact it is the main instrument utilized by the Polish Government to bring about the adoption of modern methods of manufacture, processing, grading, standardization and packing. Not only are the exporters who comply with the official instructions as to manufacture, grading, standardization and packing, given a premium on exports but those who do not abide by these regulations are penalized by an export tax (see below). Moreover, the Ministry of Industry and Commerce was authorized to permit the issuance of "customs certificates" only to firms that guarantee that they will not resort to cut-throat competition in the foreign market. Another limitation is that the certificates may be issued only to exporters located in districts where production and trade in the specified commodity are centralized.

The following paragraphs contain a discussion of the evolution of the import certificate system in Poland as applicable to agricultural products. The discussion is treated on a commodity rather than on a strictly chronological basis, beginning with hams and bacon and including, in order, the application of the system to various meats and meat products, to cereals and flour, and to butter.

(a) Certificates on meats - The original value of the negotiable "customs receipts" issued on exports of hams and bacon was fixed at 15 zlotys per 100 kilos ($0.76 per 100 pounds) by a decree of January 24, 1929. A series of three decrees issued on August 28, 1931, materially revised and expanded the "customs certificate" system in relation to meats and meat products. The first decree of that date increased the value of the "customs certificate" issued on exports of bacon and pickled hams to 20 zlotys per 100 kilos ($1.02 per 100 pounds), and on smoked and hermetically packed ham, to 25 zlotys per 100 kilos ($1.27 per 100 pounds). This decree also introduced a new feature in that the "customs receipts" issued upon exports of these products were made redeemable in cash upon presentation at the customs offices in Warsaw, Poznan and Lwow, instead of being applicable only in the payment of tariff duties on imported merchandise. Such certificates were valid for a period of one month from the date of issue. Thus exporters of hams and bacon were given an outright cash bounty upon exports.

The second decree of August 28, 1931, established the "customs certificate" system for exports of salted, pickled, smoked, dried, or preserved meat products (whether or not packed in cans)and for salted or smoked fatbacks and lard. The value of the certificates for these products was fixed at 25 zlotys per 100 kilos ($1.27 per 100 pounds). It was stipulated, however, that the "customs certificates" issued upon exports of this group of commodities could be used only in the payment of import duties. In other words, they were not redeemable in cash as in the case of some other products. The third decree of the same date established the system for exports of fresh, salted or frozen pork, veal, mutton and beef. The value of the certificates issued on the exportation of the latter products was fixed at 10 zlotys per 100 kilos ($0.51 per 100 pounds). This third decree also stipulated that the "customs certificates" would not be redeemable in cash and could only be used by the holder in the payment of duty on imported articles. The certificates issued under the second and third decrees above-mentioned are drawn to the bearer and are valid for the payment of import duties for nine months from the date of issuance.

Several changes have been made since August 28, 1931, in the values of the "customs certificates" issued upon exports of bacon and pickled hams and salted and pickled meat products. Thus the value of the "customs receipts" issued upon exports of bacon and pickled ham (which are redeemable in cash) was increased by a decree of January 18, 1932, effective from January 25 until April 20, 1932, from 20 to 25 zlotys per 100 kilos (from $1.02 to $1.27 per 100 pounds). A decree of April 22, 1932, effective from May 1, 1932, to July 31, 1932, however, reduced

these cash premiums on exports of bacon and pickled hams from 25 to 20 zlotys per 100 kilos ($1.27 to $1.02 per 100 pounds). The cash premium on smoked hams, whether or not packed in air-tight containers, was left at 25 zlotys per 100 kilos ($1.27 per 100 pounds), as provided for in the decree of August 28, 1931. A decree of April 22, 1932, and effective May 1, 1932, reduced the value of the certificates issued on exports of salted and pickled meat products (which are usable only in the payment of import duties) from 25 to 20 zlotys per 100 kilos (from $1.27 to $1.02 per 100 pounds). The value of the certificates issued on exports of smoked, dried and preserved meats (whether or not packed in cans), and on salted or smoked pork fat, and lard (which are also usable only in the payment of import duties) was left at 25 zlotys per 100 kilos ($1.27 per 100 pounds) as provided for in the first decree of August 28, 1931.

(b) Certificates on grain - A decree of November 6, 1929, had established the negotiable export certificate system for certain grains, to be in effect from November 16, 1929, to April 15, 1930, the value of the certificates on exports of grains made during that period being fixed as follows: oats and barley, 4 zlotys per 100 kilos ($0.06 and $0.10 per bushel, respectively); wheat and rye, 6 zlotys per 100 kilos ($0.18 and $0.17 per bushel, respectively), and on all kinds of flour, 9 zlotys per 100 kilos ($0.46 per 100 pounds). This decree of November 16, 1929, also provided that the "export certificates" granted on exports of wheat, rye, oats, barley and on all kinds of flour, would be redeemable in cash, instead of being applicable in the cancellation of import duties. Thus, the Polish Government has been paying an outright cash bounty on the exports of grain and flour. The actual amount of the bounty has been revised from time to time as will be indicated in the following paragraphs.

In a decree dated July 31, 1930, the period for which these "export certificates" on grains and flour would be issued was extended to October 31, 1930. The same decree increased the premium, i.e., the value of the export certificate, on flour exports during the period July 31, 1930 to October 31, 1930, from 9 to 12 zlotys per 100 kilos (from $0.46 to $0.61 per 100 pounds). A decree of September 29, 1930, effective November 1, 1930, again extended the issuance of the certificates on grain and flour exports until further notice and fixed the premium or values of the certificates as follows: on barley, 4 zlotys per 100 kilos ($0.10 per bushel); on wheat and rye, 6 zlotys per 100 kilos ($0.18 and $0.17 per bushel, respectively); on flour without bran, 12 zlotys per 100 kilos ($0.61 per 100 pounds); on other flour, 9 zlotys per 100 kilos ($0.46 per 100 pounds), and on barley groats and malt, 12 zlotys per 100 kilos ($0.61 per 100 pounds). The decree also provided that two months' notice would be given prior to the termination of the payment of any of these premiums. The value of the export certificate issued on flour exports was reduced by a decree of January 15, 1931, effective May 6, 1931, as follows: on bolted flour, from 12 to 10 zlotys per 100 kilos (from $0.61 to $0.51 per 100 pounds), and on other flour from 9 to 8 zlotys per 100 kilos (from $0.46

to $0.41 per 100 pounds). Recent reports indicate that Polish millers feel that these export premiums on flour do not suffice to make exportation profitable and higher export premiums are being demanded on the ground that a decline in flour exports will react unfavorably on domestic prices of wheat and rye.

(c) Certificates on butter - By a decree of September 20, 1929, effective November 1, 1929, the issuance of similar certificates was authorized for exports of properly prepared and graded butter, The value of the certificates issued on butter exports was originally fixed at 20 zlotys per 100 kilos ($1.02 per 100 pounds). It remained at that figure until January 1, 1931, when it was reduced to 6 zlotys per 100 kilos ($0.30 per 100 pounds). As in the other instances where certificates are issued upon exports the Ministry of Industry and Commerce was authorized to issue such certificates only to firms and organizations that produced butter that conformed to the established grades and standards. For that reason a list of associations entitled to certificates was prepared and published by the Treasury Department.

(d) Recapitulation - The following table gives the commodities on the exportation of which "customs certificates" are being issued in Poland, and the value of these certificates either for direct cash premiums or for the payment of import duties, as the case may be. The commodities are listed according to the dates when the various decrees establishing the system for those products, became effective. (Conversions into United States currency made at par, 1 zloty = 11.22 cents).

POLAND: Agricultural products on which customs certificates are issued

Commodity	Date effective	Value of certificate	
		Zlotys per 100 kilos	In U. S. currency
			Per 100 lbs.
Hams and bacon a/	Jan. 24, 1929	15	$0.76
Butter a/	Sept. 20,1929	20	1.02
			Per bushel
Oats b/	Nov. 16, 1929	4	$0.06
Barley b/	Nov. 16, 1929	4	.10
Wheat b/	Nov. 16, 1929	6	.18
Rye b/	Nov. 16, 1929	6	.17
			Per 100 lbs.
All kinds of flour b/	Nov. 16, 1929	9	$0.46
All kinds of flour b/	July 31, 1930	12	.61

(Table continued on page 196)

POLAND: Agricultural products on which customs certificates are issued - cont'd.

Commodity	Date effective	Value of certificate: Zlotys per 100 kilos	Value of certificate: In U. S. currency Per 100 lbs.
Flour without bran b/	Nov. 1, 1930	12	$0.61
Other flour b/	Nov. 1, 1930	9	.46
Barley groats b/	Nov. 1, 1930	12	.61
Malt b/	Nov. 1, 1930	12	.61
Butter a/	Jan. 1, 1931	6	.30
Bolted flour b/	May 6, 1931	10	.51
Other flour b/	May 6, 1931	8	.41
Bacon and pickled hams b/	Aug.28, 1931	20	1.02
Smoked and hermetically packed ham b/	Aug.28, 1931	25	1.27
Salted, pickled, smoked, dried, and preserved meat products (whether or not packed in cans) a/	Aug.28, 1931	25	1.27
Salted or smoked fatbacks a/	Aug.28, 1931	25	1.27
Lard a/	Aug.28, 1931	25	1.27
Fresh, salted or frozen pork, veal, mutton, and beef a/	Aug. 28,1931	10	.51
Bacon and pickled hams b/	Jan. 25,1932	25	1.27
Salted and pickled meat products a/	May 1,1932	20	1.02
Bacon and pickled hams b/	May 1,1932	20	1.02

a/ Certificates usable only in the payment of duty on imported articles.
b/ Certificates redeemable in cash upon presentation at specified customs offices.

4. Other aids to export: centralized selling, and measures to raise quality standards - Since the War the Polish Government has been lending its encouragement to the complete reorganization of the country's export trade. This has been true especially of the export trade in agricultural commodities. Producers have been encouraged to sell their products both at home and abroad through central selling agencies. Cartels, syndicates and cooperatives have accordingly been formed through which the producer is able to take full advantage of all sales possibilities. With the uniting of the trade into cartels and syndicates, the rationalization and standardization of production have been greatly facilitated. The Government itself has taken a direct part in the organization of these centralized selling agencies by liberal financial aid. A Government Export Institute was set up in 1926, the object of

which was to study the possibilities for selling Polish goods in foreign markets and to bring about the standardization of all goods, but particularly agricultural products, destined for export, in order to prevent the sale abroad of goods of inferior quality.

Moreover, in connection with the organization of the export trade in agricultural products, the Government has introduced export premiums (see section 3), and these are granted only to such firms as comply with the official regulations pertaining to grades and standards. Inversely, a system of export taxes, discussed below, has been applied partly for the same purpose, since the only commodities exempted from the export levies are those exported by the above-mentioned organizations providing the commodities conform to the official grades and standards. Thus the Government in Poland is endeavoring to control various lines of exports by means of improvement in marketing facilities, by means of premiums on exports that have been graded and standardized, and by means of a tax on agricultural exports that do not come up to grade and standard regulations.

The Polish Government has been levying export taxes on a long list of products for several years. The system was gradually put into practice in 1923 and by the end of that year such taxes were being imposed on the following agricultural products: millet, buckwheat, French beans, peas, dead poultry, live turkeys, live geese, live ducks, live fowls, horse flesh, potatoes, barley bran, eggs, and clover seed. On June 26, 1924, revised regulations for the export of Polish merchandise were published, dividing such exports into three categories, namely: (a) prohibited exports; (b) free exports; and (c) goods paying an export tax. Since that time export taxes have from time to time been applied to a number of other agricultural products. In some instances they have been levied in order to curtail exports of such articles as wheat, rye and other cereals when the existing relatively high prices in the export market threatened to deplete domestic supplies and raise prices to consumers in Poland. In other instances they have been levied during years of low crops in Poland in order to maintain domestic supplies. Thus, in the fall of 1928, the Polish Government as a result of a fodder shortage imposed an export tax of 10 zlotys per 100 kilos (16.3¢ per bushel) on oats. This export tax was canceled in July, 1929.

Of late, however, export taxes have been levied to an increasing extent in order to discourage exports of products that are not up to official grades and standards. The theory of the Polish Government in connection with most of the export taxes that are now being levied on agricultural products is that they will compel producers to grade and standardize their products. The Government maintains that unless the agricultural industries grade and standardize their products, it will not be possible for them to stand up against foreign competition on the domestic market in spite of tariff protection, or to compete satisfactorily in foreign markets. Under the existing system of export taxes the Government imposes export duties on certain commodities that do not

conform to the standards of grade and quality. The Polish Government maintains that while export taxes tend to reduce exports the increase in the value of the merchandise brought about by the adoption of modern methods of processing, standardization and grading, will more than offset any decline in exports.

Thus, in the case of exports of live and slaughtered hogs, the Government issues certificates for free export to all members of a Syndicate of Polish Hog and Cattle Exporters which was established late in 1928 for the purpose of rationalizing the production and trade in pork and pork products. Again, in its desire to raise the standard of Polish export butter, the Polish Government issued an order in July, 1931 under which butter that did not conform to the standards fixed by the authorities would have to pay an export duty of 6 zlotys per kilogram (30.5 cents per pound). It was felt that the imposition of this levy on low quality butter would make its sale unprofitable. On the other hand it was believed that the increase in confidence which the order would evoke among foreign buyers would eventually result in an increased export movement of high quality Polish butter. The order provided for the issuance of special certificates whereby all butter to which such certificates were attached would be free of the export tax. To mention another example, a law establishing standards for eggs became effective on March 1, 1929. According to the provisions of this law all eggs exported by approved cooperative societies and firms will not be subject to the payment of an export tax, while those sent abroad by other firms will be assessed 200 zlotys per 100 kilos ($10.18 per 100 pounds) gross weight. It is believed that in this way the standard of the Polish eggs would be improved and that they would accordingly sell at a higher price.

5. Control of grain trade, including German-Polish Rye Agreement of 1930-31 - Poland became an important exporter of rye for the first time in 1928. Growing exports and competition with Germany, particularly for the Scandinavian rye market, soon led to such ruinous prices that in February, 1930, an agreement was entered into between Poland and Germany for the establishment of the German-Polish Rye Commission. This agreement provided that from February, 1930 to July, 1930, subject to continuation at the end of that time, the German and Polish rye export surplus would be marketed through a joint sales organization consisting of the "German Grain Trading Company" for the German interests and a newly formed "Polish Grain Monopoly" for the Polish interests. Export bounties were paid by each government on the rye exported by their nationals through the joint commission (see section 2, Poland, and section 5, Germany).

The first agreement, signed by representatives of the German and Polish Governments on February 16, 1930, was to remain in effect until July 1, 1930. It provided for the establishment of a joint export sales organization consisting of the "German Grain Trading Company" for Germany and of the "Polish Grain Monopoly" for Poland. The purpose of the export sales organization being the elimination of competition between the two countries for the European rye market, the

agreement provided for the division of the export market in such a way that 60 per cent of the rye exports were granted to Germany and 40 per cent to Poland and the establishment of minimum prices below which sales would not be made. While exporters were not compelled to market their rye through the commission, the agreement provided that Germany would grant export credit certificates to the amount of 36 cents per bushel (though this was later abandoned), and that Poland would pay an export bounty amounting to about half that figure, on all rye exported through the commission. This gave the commission a virtual monopoly with regard to exports.

The above agreement was replaced by a new arrangement on July 12, 1930. Apparently the results of the February 16, 1930, agreement did not come up to the expectations of the Polish agrarian interests. The Polish negotiators complained that the export contingent of 40 per cent was inadequate. The German representatives, therefore, consented to a flexible clause whereby Poland would receive a contingent of 50 per cent between July and January on days when sales did not exceed 8,000 tons. On days of higher sales, Poland's quota was to be reduced to 30 per cent. After January, 1931, the above criterion of 8,000 tons was to be reduced to 6,000 tons.

In addition, an amendment was added to the new agreement depriving either of the contracting parties from applying unused portions of any bi-monthly quotas to the ensuing months. Moreover, it was agreed that either party should have the right to increase the minimum price by not more than 5 per cent should sales exceed 1,575,000 bushels during any ten-day period between July and February and 1,181,000 bushels after February. The right to make price reductions was granted to either country whenever sales declined below 1,181,000 bushels in any ten-day period between July and February, or below 984,000 bushels after February.

From February 25, to December 1, 1930, the Commission sold 9,188,000 bushels of Polish rye and 2,403,000 bushels of German rye. The heaviest sales were made during the four months, June - September, with a monthly average of 1,772,000 bushels. Sales declined rapidly after September, partly as a result of Russian competition and partly because of good rye crops in importing countries. Declining rye prices restricted purchases by importers.

The plan governing the Commission's work allotted the larger share of available export business to Germany. The sales figures given above, however, indicate that almost four times more Polish rye than German rye was sold through the Commission during the period indicated. That fact is explained largely by the cessation, a few weeks after the inauguration of the Commission, of the issuance of German export credit certificates on rye. The certificates had borne a value of 36 cents per bushel (60 marks per metric ton). The withdrawal of the certificates discouraged the export of German rye, while the continuance of the Polish export bounty on rye encouraged the exportation of Polish rye. Finally, at the end of June, 1931, the joint arrangement between the two countries was given up.

Throughout July and August, 1931, foreign sales of wheat and rye were carried on by the existing State and private establishments. In August, 1931, the Polish interests formed a special organization under the auspices of the Government, with a working capital of about $1,000,000, known as the Polish Rye and Wheat Export Bureau. Its purpose was to continue the work of concentrating grain export sales and eliminating unnecessary competition among the Polish exporters. This Bureau still continues to function.

6. Government tobacco monopoly - The Polish Government has maintained a monopoly of the tobacco trade since June 1, 1922. In regard to the domestic crop, a permit must be secured from the Tobacco Monopoly in order to grow tobacco. The entire domestic crop must be sold to the Monopoly at fixed prices. The domestic crop is divided into categories according to the type of tobacco produced. Usually around June 1 of each year the Monopoly announces the prices which it will pay for the various classes and grades of the domestic crop. Under its present form the Monopoly has the exclusive right to manufacture and sell tobacco products in Poland, but it may transfer its selling rights to concessioned distributors. These concessioned distributors must sell tobacco products at prices fixed from time to time by the Monopoly, their profit consisting of a commission allowed by the Monopoly on the tobaccos sold.

7. Restrictions of sugar production and exports - Poland is a participant in the International Sugar Convention signed at Brussels on May 9, 1931. As already indicated (see Cuba) this Convention imposes on the member countries the obligation of restricting exports of sugar to figures set forth in the plan. Before the Convention was signed it was said that Polish sugar was being exported at prices which in many cases were below the cost of the sugar beets delivered to the refineries. In accordance with the objective of this Convention, i.e., the maintenance of prices on the world's sugar market, the Polish Government has taken steps to regulate production in Poland. With this purpose in view production and export quotas have been established each year and definite contingents based upon these quotas are divided among the individual refineries.

8. Commercial treaties - Soon after the establishment of the new Polish State in November, 1918, the Government began to negotiate commercial agreements with foreign countries. The basic objective in such negotiations was the establishment of reciprocal advantages and privileges between Poland and the other countries whereby Poland would agree to allow certain products to come in at reduced rates of duty in exchange for similar advantages in respect to the exports of specified Polish products. By the end of 1931 Poland had concluded such commercial treaties with practically all European States and a number of overseas countries. The most important exceptions were with Germany, the United States and the Union of Socialist Soviet Republics. In the case of Germany and the United States, however, such treaties have been negotiated but have not yet been placed in effect. In the meanwhile, however, a modus vivendi has been agreed to in respect to Germany and the United States pending the actual conclusion of commercial treaties.

Poland has consistently emphasized the fact that given certain conditions and the abolition of import restrictions in respect to Polish goods now in force in a number of countries, she would be prepared to revise her customs policy and endeavor to bring it into closer relation with the principle of abolition of customs barriers. As agriculture in all of the European grain exporting countries has been in the same difficult position the question of taking common action for the improvement of the situation was the incentive for the holding, at Poland's initiative, of an international congress at Warsaw in 1930, which was attended by representatives of Poland, Hungary, Czechoslovakia, Rumania, Estonia, Latvia, Bulgaria, and Yugoslavia, as members of the congress, and of Finland and the League of Nations as observers. This conference was convened primarily for the purpose of establishing collaboration between the grain producing and exporting countries in the regulation of their grain trade. This conference was followed by further meetings at Waraaw and Bucharest, but relatively little progress was made. (Concerning Danubian grain conferences, see Bulgaria, above.) Poland has been particularly active in the promotion of an economic union of the Danubian countries on the basis of mutual awards of tariff preferences.

PORTUGAL

In Portugal tariffs, import prohibitions and quotas, direct price-fixing, production bounties and premiums, and special loans by the Government are all included in the category of government aid to agriculture. Particularly has the Government been active in support of the domestic wheat-growing industry in its efforts to minimize Portuguese dependence upon imports of bread grains.

1. Tariffs - Portugal maintains tariffs on a long list of agricultural products. The most important agricultural products imported into Portugal are wheat, corn, rice, sugar, tobacco, cotton, and wool. The most important agricultural exports are olive oil, almonds, and figs. A few of the agricultural tariff rates in effect as late as April 1, 1932, are given below. The rates given are the minimum rates applicable to countries, including the United States, to which most-favored-nation treatment is accorded by the Portuguese Government. They are expressed in gold escudos per kilo. One gold escudo equals $1.08 in United States currency. All portuguese duties are payable in paper escudos but are multiplied by a coefficient adjusted in accordance with the depreciation of the currency, so that the net result is more or less equivalent to duty payments in accordance with the par value of the gold escudo. On the whole, the rates, when conversion on the basis of the gold escudo is employed (as below), run somewhat above the rates that are payable under the coefficient system actually employed.

The rates, in gold escudos, including the surtax (see next paragraph), with the United States equivalents in parenthesis, are

as follows: lard, 0.078 (3.8¢ per lb.); butter, 0.216 (10.6¢ per lb.); olive oil, 0.06 (2.9¢ per lb.); cheese, 0.396 (19.4¢ per lb.); raisins, 0.156 (7.6¢ per lb.); rice, in the husk, 0.0432 (2.1¢ per lb.); wool, washed 0.036 (1.8¢ per lb.); wool, in the grease, 0.012 (0.6¢ per lb.); raw cotton, 0.0192 (0.9¢ per lb.); hops, 0.18 (8.8¢ per lb.); leaf tobacco, 1.40(69¢ per lb.); corn, 0.024 (71¢ per bu.); and refined sugar, 0.0594 (2.91¢ per lb.).

A decree published in Portugal on February 27, 1932, provided for a general surtax on all existing duties which raised the actual duties on practically all products by one-fifth, except on sugar, on which the duties were increased by one-tenth, and on leaf tobacco on which there was no increase. This surtax, where applicable, is included in the duties listed above. This decree also authorizes the Government to fix maximum quantities or import quotas for all merchandise for specified periods.

On wheat the duty is fixed by special legislation. The amount of wheat that can be imported and the periods when such imports can be made are regulated and controlled by the Government (see below); and whenever the amounts that may be imported are published the Government announces the duty that must be paid on that particular quantity. To illustrate: On January 14, 1932, the Government announced that the importation of 1,350 metric tons of wheat would be permitted into the district of Ponta Delgada (Azores) during the present cereal year, and on this wheat the duty was fixed at 0.80 paper escudo per gross kilo (73¢ per bu., based on exchange as of April 27, 1932, when the paper escudo was worth 3.34 cents in U. S. currency). The decree applied only to the Azores, but it serves to indicate the procedure followed. The last decree for continental Portugal was issued on January 22, 1931, and authorized the importation of 45,000 metric tons of wheat during the months of May, June, and July, under a duty of 0.80 paper escudo per kilo (96¢ per bu., at par).

2. Government control of wheat prices and imports - While official reports are not available sufficient information is at hand to indicate that the millers in Portugal have been obliged for some time to buy all of the domestic wheat offered by growers at prices fixed by the Government. Thus a report of September 2, 1931, mentions that a decree of August 23, 1931, fixed the price which millers must pay for wheat of the 1931 crop at from 53 cents to 60 cents per bushel, depending on the weight and quality of the wheat. This decree also specified "that the flour mills which refused to accept delivery of and pay the fixed price for the wheat, which is distributed to them every thirty days by the Technical Inspection of Agricultural Industries and Commerce, shall be closed for one year". Another report of October 24, 1931, indicates that the Ministries of Finance and Agriculture at that time were considering the possibility of the State financing the millers due to their inability to purchase the domestic wheat crop at the prices fixed by the Government. A third report of December 31, 1931, mentions a "continuance of the fixed prices at which domestic wheat must be purchased from the producer."

The central feature of the Government's wheat price-fixing mahcinery is the restriction of imports. The quantities of wheat that may be imported into Portugal are announced from time to time by the Government. The policy of the Government in this respect is to regulate the importation of wheat in such a manner that the public supply and the proper disposal of the domestic crop may not be endangered. The importation of wheat is permitted only upon official authorization after the Minister of Agriculture has estimated the quantity needed for consumption. As a rule, the Government authorizes the importation of 80 per cent of the estimated needs at the time of the harvest, in order that the foreign wheat may be available for mixing with the domestic product. The importation of the remaining 20 per cent is permitted by December 31 of each year. The amount of wheat that may be imported by each mill is fixed in accordance with its producing capacity. The importation of wheat flour is entirely prohibited in continental Portugal. In the islands of Madeira and the Azores, however, flour may be imported from time to time by special authority of the central government for each individual importation.

3. Mixing regulations to improve market for domestic cereals - There are no reports to indicate that the Portuguese Government enforces the mixture of imported wheat with the domestic product as is done in many other European countries, but the Government has from time to time ordered millers to mix certain percentages of domestic corn, rye, and barley with wheat in the manufacture of flour. This has been done in order to reduce the imports of wheat and to facilitate the sale of the other domestic bread grains. On August 23, 1931, the Government decreed that flour, in order to be legal, had to consist of 88 per cent pure wheat flour, 6 per cent rye flour, and 6 per cent corn flour. All other flour is considered illegal.

4. Direct subsidies for cultivation of new wheat areas - The Government of Portugal has taken a very special interest in the promotion of wheat production, not only through propaganda, technical assistance, financial assistance, assistance in obtaining agricultural materials, and the establishments of experimental farms, but also through direct subsidies. A decree of July 30, 1930, (Diario do Governo, August 9, 1930), provided for the continuance of subsidies on cultivation and production of wheat. According to this decree the Government was authorized to grant a subsidy of 100 escudos per hectare ($1.79 per acre, at par, and $1.35 per acre at present exchange as of April 27, 1932) to farmers who clear and sow wheat to virgin land, and a subsidy of 50 escudos per hectare ($0.89 per acre at par, and $0.68 at present exchange) to farmers who sow wheat to land that has not been under cultivation during the past ten years.

The above premiums on cultivation of wheat were payable only when there was a probability that the land brought under cultivation will continue to grow wheat regularly. This limitation is provided for in a supplementary decree of October 27, 1930 (Diario do Governo of Oct. 27). The latter decree also provides that the subsidy will be paid not only to all farmers who take up uncultivated land for wheat

cultivation as a result of the decree of July 30, 1930, and who actually sow wheat during the 1930-31 agricultural year, but that it will also be paid to any farmer who before the publication of the decree of July 30, 1930, had taken up, of his own initiative, uncultivated land for the production of other crops in 1930-31, provided that he replaces those crops with wheat in 1931-32. Farmers will also receive the full subsidy of 100 escudos per hectare ($1.79 per acre, at par, and $1.35 at exchange as of April 27, 1932) on land taken up after the publication of the July 30, 1930 decree, provided the land was planted during 1930-31 to such crops as millet, legumes, and fodder, in preparation for a wheat crop in 1931-32. However, if the uncultivated land prepared for wheat cultivation is not dedicated to any crop in 1930-31, but is sown to wheat only in 1931-32, the subsidy is reduced to 50 escudos per hectare ($0.89 per acre, at par, and $0.68 at present exchange). In the latter case, rye can also be sown in 1931-32 instead of wheat.

The practice of paying subsidies or a bonus to farmers who take up uncultivated land was continued during the agricultural year 1931-32. A decree of July 27, 1931, authorized the payment of the bonus to those farmers who grew crops on uncultivated lands in preparation for wheat growing during 1932-33. The amount payable was not announced until September 8, 1931. An official announcement of that date (Diario do Governo, Sept. 18, 1931) provides for a subsidy of 80 escudos per hectare ($1.43 per acre, at par, and $1.08 at exchange as of April 27, 1932) to all farmers who have taken up uncultivated lands (or vine lands) for growing other crops during 1931-32, provided they replace these crops with wheat during 1932-33. In addition, this decree grants the bonus of 80 escudos per hectare ($1.43 per acre, at par, and $1.08 at present exchange) to farmers who cultivate alkali lands, and who try to diminish the alkali content of the soil by sowing barley in 1931-32, provided they declare their intention of sowing wheat later on.

The July 30, 1930 decree also provided for the payment of a bonus to growers for wheat for seed. According to this decree all farmers who deliver wheat especially approved as seed wheat will receive a bonus of 20 centavos per kilo (24¢ a bushel, at par, and 18¢ at exchange as of April 27, 1932). This bonus was continued during the 1931-32 agricultural year by a decree of July 24, 1931 (Diario do Governo of July 27, 1931).

5. Production prizes on specified products - In order to bring about an improvement in methods of production and to increase yields per acre for wheat, millet, potatoes, and olives, the Portuguese Government was authorized by a decree of July 30, 1930, to pay national and regional prizes for outstanding developments along those lines. The prizes are given by a board of judges who have been instructed to take into consideration not only the highest yield per acre but also such factors as mechanical treatment of the soil, rational utilization of fertilizers, seed selection, plant protection, seeding with grain drills, crop rotation, number of livestock kept,

and general farm efficiency. The first two factors may be given a maximum scoring of 15 points each and the remaining seven a maximum scoring of 10 points each. Three national prizes are given and thirty-six regional prizes. The original decree provided for the awarding of these prizes during 1930-31. A decree of July 24, 1931, extended the payment of the prizes to the 1931-32 crop year.

6. Government loans to wheat growers - The area sown to wheat has been steadily increasing in Portugal in recent years. In order further to stimulate production the Portuguese Government on October 31, 1931, authorized certain Government financial agencies to make loans to wheat farmers for fertilizer, seeding, weeding, and harvesting the 1932 crop. Repayment of these loans is to be made after the harvest between September 15 and 30, 1932. The amount of the loans that may be advanced and the periods during which they may be made have been fixed as follows:

	Escudos per hectare	a/ In U.S. currency per acre
First period - Oct.-Dec. - For seed & fertilizer	150	$2.03
Second period- Mar.-Apr. - For weeding	50	.68
Third period - June-July - For harvesting	150	2.03

a/ Conversions made at exchange as of April 27, 1932, when the paper escudo was worth 3.34 cents. One hectare equals 2.471 acres.

7. Government aid to rice growers - The aid given to the rice industry by the Portuguese Government, though not strictly price supporting in character, is worth noting briefly in connection with the efforts to strengthen domestic agriculture and to lessen dependence on imports, especially of cereals. Rice production in Portugal is not sufficient to cover domestic requirements. While the rice area has been steadily increasing, the yields have considerably decreased. This product, however, is an important item in the diet throughout Portugal. The Government is said to be interested in increasing production and in cutting down imports because it considers the sums paid out for rice imported into Portugal to be a loss to Portuguese national economy which could be eliminated by an increased home production.

The main efforts of the Government are centered on financing the construction of modern irrigation works in new producing areas. By faulty irrigation practices in the past much land has become swampy and a breeding place for malaria mosquitoes. The Government has therefore forbidden the cultivation of rice near villages. The key to expansion of the rice area in Portugal lies almost entirely in providing an adequate system of irrigation, by which the water will be kept flowing instead of being allowed to become stagnant. A decree of October 20, 1931 prohibits new rice plantings on any land where the irrigation system permits water to become stagnant. Moreover, no one may grow rice on any land whatsoever unless he has first obtained a license. All rice fields with stagnant water must be abandoned if located within a distance of 1 kilometer from a village,

in case two-thirds of the inhabitants of the village request it. There is no such obligation if an adequate system of hydraulics is applied.

The growers on the lands that are already producing rice do not receive any financial support from the Government for installing the irrigation systems in their individual fields, but the State has pledged itself in the decree to take care of all irrigation projects that will open up new rice producing areas. The Government hopes to be able to make Portugal self-sufficient in the matter of rice supply. Success in the attempts being made to increase the yield per acre by improved methods of cultivation will materially hasten the realization of that goal. The domestic production of rice in recent years has averaged in the neighborhood of 20,000 short tons annually, while net imports averaged around 45,000 short tons.

8. Import quotas - Reference to the maintenance of a quota system for wheat has already been made (see Government control of wheat price and imports). A decree published on February 27, 1932, authorizes the Government to fix maximum quantities of imports for any product during specified periods. This decree is an enabling act but up to the end of April, 1932, no special quotas had been fixed in accordance with its terms.

9. Cotton export bounty and production premium - A decree of April 22, 1932, provides for the payment of an export bounty on cotton produced in the Portuguese colonies and transported on Portuguese ships to the mother country for domestic consumption. The actual amount of the export bounty will vary on the basis of the average quotations for raw cotton on the Lisbon exchange in the month during which the cotton is exported. If, however, the Lisbon quotations are lower than the monthly average quotations of "Good Middling" on the New York exchange, the latter quotations will be taken as a basis for the determination of the bounty.

The decree also provides for the accumulation of a fund for the encouragement of cotton growing which will be obtained by increasing the present tariff rates on foreign cotton goods imported into Angola and Mozambique by 15 per cent and the rates of cotton goods imported into Portugal (islands included) by 20 per cent.

The funds thus collected will be used in paying a production premium to growers who produce cotton of specified varieties; for the purchase and distribution to growers of selected seed; for paying subsidies to cotton mills and manufacturing establishments which maintain experiment stations for the production of selected cotton seed; and for extension work regarding methods of cultivation and plant protection. The actual amount of the production premium has not been fixed as yet.

It might also be mentioned that all material needed in cotton growing, such as selected seed, fertilizers, chemicals for plant protection, packing material, and also tractors, cleaning, pressing and packing machinery including spare parts, as well as the equipment for cotton laboratories and weather observatories, can be imported duty free.

RUMANIA

Rumania has been, on the whole, rather more conservative than the other Danubian countries with respect to the extent and nature of her government intervention in support of prices of agricultural products. During the decade immediately following the war, the emphasis in her economic policy was on the side of promoting industrial rather than agricultural enterprise. Nevertheless, agriculture was, and is, Rumania's most important industry, 45 per cent of her exports consisting of cereals, livestock, and livestock products; and since the catastrophic decline of prices of farm products in 1929 the economic policy of the country has been characterized by a greater solicitude for the agricultural interests than formerly. This has been manifested in an increasing degree of government intervention in aid of the farmers.

In part, perhaps, because of the greater relative importance of non-agricultural pursuits in Rumania than in the other Danubian countries (Bulgaria, Yugoslavia, and Hungary), the price-supporting measures adopted in Rumania have been, on the whole, rather less drastic than in the other three countries; but measures of this sort there have nevertheless been. The most important of these have been in the direction of artificial stimulation of exports. In respect to cereals such measures have included export premiums on wheat and flour, reduction of freight charges on corn for export, and particular emphasis on cereals in the negotiation of preferential trade treaties with other countries designed to secure more favorable foreign outlets for Rumanian products. But they have also included steps to encourage other exports, notably meat, livestock, and eggs. Other measures of intervention include import restrictions, monopolistic control of tobacco production and trade, and the promotion and regulation of cooperative marketing.

1. <u>Aid to the cereal industry</u> - Rumania's most important price-supporting measures have been in aid of cereal prices. An attempt early in 1931 to put into effect an elaborate Marketing Act, primarily to assist the grain grower, proved unsuccessful. But from August 1, 1931, to April 22, 1932, an export premium on wheat and wheat flour was in effect, and early in 1932 the State railroads of Rumania granted a reduction in the freight rate applying to corn moving to export points.

(a) <u>The Agricultural Marketing Act of April, 1931</u> - In April, 1931, an Agricultural Marketing Act extending aid to the Rumanian cereal producers and imposing monopoly control over the whole grain marketing system went into legal effect; but in the same month, before it could become really operative, the whole Act was abolished by a new Government. A National Agricultural Trading Company, a Union of Cereal Exporters, a Miller's Control Office, and a Miller's Syndicate which had been provided in the Act, apparently were abandoned along with the Act. Along with these provisions were abolished those for export premiums on agricultural products and other more or less direct forms of farm relief, as well as a consumption tax on wheat milled into flour, included to furnish the funds for administering the Act.

(b) Export bounty on wheat and flour - A new Agricultural Marketing Act which went into effect on August 1, 1931, provided for an export premium of 100 lei per quintal (16.3¢ a bu.) on wheat having a test weight higher than 59 pounds a bushel and containing less than 4 per cent of foreign matter. An export premium was also provided for flour at the rate of 130 lei per quintal (69 cents a barrel, this being equivalent to about 20 cents a bushel on the wheat content).

The funds necessary for paying such premiums are derived from a tax on bread, amounting to one lei per kilo (3/10 of a cent a pound) on white bread and half a lei per kilo (0.14 of a cent a pound) on dark bread. The local town mayoralities did not permit a general rise in bread prices when the tax became effective, and bakers attempted to avoid paying the tax. They struck for higher prices on bread, but the Government replaced their output with bread produced in the military bakeries and their efforts proved unsuccessful.

It soon developed that a great deal of the wheat on which the export premium was paid contained a considerable admixture of rye, and in October the Rumanian Government found it necessary to classify rye as foreign matter. The payment of export premiums was then limited to wheat having a total foreign matter content (including rye) of less than 40 per cent. In the case of wheat containing 20 to 40 per cent of foreign matter, the export premium was based on the pure wheat content alone. It was announced also that during the next crop year the premium would be paid only on exports of wheat that contain less than 5 per cent of foreign matter.

Finally, on April 22, 1932, the export premiums on wheat and wheat flour were abolished. A considerable portion of the premiums remained unpaid, the total amount of arrears being estimated at 400,000,000 lei, (about $2,400,000). The non-payment of the premium caused considerable concern among wheat exporters, and the Ministry of Agriculture tried, unsuccessfully, to secure a loan from the National Bank for the purpose of making payment. Notwithstanding this disappointment, the Government resumed payment of the premium and by June had reduced the unpaid balance to about $1,500,000. In the meantime the bread tax amounting to 1 lei per kilo on white bread (0.27¢ a pound) and 0.5 lei per kilo on dark bread (0.14¢ a pound) continued to be collected as a source for the necessary funds.

(c) Aid to the export of corn - In the spring of 1932 the Rumanian State Railroads made a 30 per cent reduction in freight charges on corn destined to ports or frontier stations. Corn in Rumania's most important agricultural export, and Rumania is one of the world's leading exporters of corn, although she is far outranked by Argentina in this respect. It was reported in April, 1932, that negotiations between representatives of the two countries were in progress for the establishment of a corn cartel between them. Earlier efforts on the part of the Rumanian Government to aid exports through international action included negotiations for duty concessions on Rumanian corn entering Germany and France. A concession of 30 per cent of the duty has been in effect for some time on Rumanian corn entering France; and it was expected that a similar concession from Germany would soon become effective also. These negotiations are discussed in greater detail below, under section 4.

2. The Rumanian Livestock Export Act of 1930 - On August 26, 1930, a law for organizing the export trade in livestock and fresh meat into an association of syndicates became effective. The organization was to be carried out through the joint efforts of the Department of Agriculture and Public Domains and the Department of Industry and Trade. In laying out their program, the two Departments were to take into consideration the productive capacity of Rumania and the potential demand of foreign markets. The country was divided into districts and in each one the livestock breeders were to be organized into syndicates having the status of legal persons. For the purpose of coordinating the work of the individual syndicates, a Central Union of Livestock Syndicates was set up in Bucharest by the district syndicates. Both the Central Union and the district syndicates were to operate according to by-laws approved by the Rumanian Council of Ministers. Their activities were to center on promoting the exportation of livestock and the finding of new markets.

Immediately upon the enactment of the new law, the Central Union was established and rules were drawn up to secure more orderly marketing in the exportation of cattle. These regulations provided for free exportation of cattle only to those foreign countries not restricting the importation of Rumanian cattle. For the exportation of cattle to countries which restrict the importation of Rumanian cattle, the Syndicate established quotas for the different regions of Rumania in proportion to the exports of the last five years. For this purpose Rumania was divided up into six regions where regional syndicates for the exportation of cattle were to be established. Finally, arrangements were made also for the members of these syndicates to be permitted to export cattle free of export duty.

Immediately following the establishment of the Central Union, the district syndicates were organized. Special commissions were sent to the Near East in search of new markets and as a result of their reports the attention of Rumanian exporters was drawn to new outlets for livestock and meat. Endeavors were made to improve shipping conditions and to facilitate the exportation of meat and livestock. In this connection, control bureaus were set up to eliminate unethical practices. The program also included the arbitration of disputes between competing groups of exporters. All efforts were focussed upon replacing competition with cooperation among Rumanian exporters of livestock and meat.

3. Aid to exports by standardization of eggs and other products - A law passed in May, 1930, provided that the export tax on standardized eggs should be one-fourth as great as that on unstandardized eggs. When no export tax is levied on the standardized product, the unstandardized must pay 1 lei each on exportation. Regional marking offices are established to mark the standardized eggs and control offices are established at export stations as a further check. The object of this legislation

is to encourage the exportation of a product of uniformly-high quality. To this same end, exports of fruit and grapes were brought under Government control in November, 1930, quality, condition, and packing being made subject to Government regulation.

4. <u>Aid to exports through international negotiations, chiefly for trade preferences</u> - In common with the other countries of the Danube Basin, Rumania has endeavored to secure preferential entry for her agricultural products into the markets of central and western Europe. She has participated in the conferences of 1930-31 by means of which the efforts of the four Danubian countries in this direction have been coordinated. (For a more complete statement on these Danubian conferences, see <u>Bulgaria</u>, above.)

In furtherance of the preferential idea contemplated in common by the Danubian countries, Rumania has already negotiated bi-lateral agreements with several of the agricultural deficiency countries of Europe as a means of promoting her exports. On August 27, 1930, France and Rumania signed a commercial treaty for reciprocal most-favored-nation treatment. In addition to granting Rumania her minimum rates of duty, France conceded a 30 per cent reduction in the French import duty on a specified quantity of yellow feed corn to be fixed annually by the French ministry of agriculture. Concessions on the part of Rumania were mostly in the duties on industrial goods, though there were also concessions on some agricultural products of minor importance, such as peanuts, dates, arrowroot, and cheese.

On January 5, 1932, an agreement supplementary to that of 1930 was signed by the two countries. Each country continued the duty concessions that it had granted to the other, subject to some modifications. The reduction in the French duty on Rumanian feed corn, a reduction of 30 per cent below the French minimum rate, was increased to 40 per cent upon the approval of the French Parliament. It was also stipulated that an annual import quota of 300 hectoliters (7.925 gals.) of Rumanian liquors and spirits was to be permitted entry into France. These articles were provisionally effective at once and soon became definitely effective after the exchange of ratifications between the two countries.

Another article containing a duty concession on wheat and included as a separate supplement in the agreement of January 5 did not become legally effective until May, 1932. On May 22, France published a decree setting forth the terms of this article as finally agreed upon, and extending its benefits to Rumania and Yugoslavia. According to the decree, in September or October (as soon as the French Minister of Agriculture is informed of the size of the French wheat crop) contingents shall be fixed for the wheat to be imported from each of the two countries during the year. Each contingent is equal to 10 per cent of the total quantity of wheat to be imported by France. The wheat enters France at the regular minimum rates of duty; but for each quintal (220 pounds) of wheat imported from these countries, the French Government will remit to their respective

Governments a sum based on the difference between the world price level (at which the French importers purchased the wheat) and the price which the exporters in the two respective countries consider as remunerative. This sum is to be fixed annually by agreement between the interested Governments; but in any case it is not to exceed 30 per cent of the French minimum duty. In substance, then, the agreement grants what amounts to a provisional reduction of the French minimum tariff on wheat not to exceed 30 per cent of that duty and not to be applied to a quantity exceeding 10 per cent of total French imports in the case of either exporting country. The arrangement is to remain in effect for three years and may be renewed at the end of that time.

On June 27, 1931, Germany and Rumania signed a commercial treaty granting reciprocal tariff concessions to each other. Included were a 50 per cent reduction of the German autonomous duty on fodder barley and a 60 per cent reduction of the duty on corn. These preferences were not to be extended by Germany to countries other than Rumania. Accordingly it was provided that the exclusive preferential feature would not become effective until the approval of countries having most-favored-nation treaties with Germany had been obtained. Progress in this direction proved slow and on December 19, 1931, another agreement between Germany and Rumania was signed for the purpose of expediting matters. This agreement was in the form of a protocol to the provisional most-favored-nation agreement of June 18, 1930. By this protocol both countries obligated themselves to take all proper steps to remove the obstacles that still rendered the exclusive preferences of the June 27 agreement ineffective and to put the treaty into effect by February, 1932. However, it was later reported that, owing to opposition from countries having most-favored-nation treaties with Germany, the exclusive preferences granted to Rumania had not as yet become effective. At the same time it was reported that negotiations were still in progress.

In the new protocol of December 1931, Germany granted to Rumania an annual import contingent during 1931-33 of 6,000 head of cattle for slaughter and an annual contingent of 80,000 hogs to be used in meat-packing plants. The quota for cattle was to be increased from 6,000 to 7,000 head if in any one year more than 90 per cent of the annual quota were used. The conventional rate of 16 reichsmarks per 100 kilos, already granted to Sweden for the same number of cattle, was to apply.

A most-favored-nation treaty between Austria and Rumania containing reciprocal duty concessions was signed on August 22, 1931, but the concessions are not exclusive. Provisions relating to import contingents for hogs and cattle had already come into effect (retroactively, as of July 19, 1931) by an exchange of notes dated July 23, 1931, while the remaining articles were to become effective on September 7, 1931. The continuation of the treaty was made subject to certain conditions. One of the most important of these was the special agreement of July 23 which was incorporated as an integral part of the treaty. This provided for reduced Austrian duties on given quotas of Rumanian cattle, hogs,

pork, and beef, as follows: Live cattle for slaughter, for an annual quantity equal to one-half of the number imported by Austria from Rumania in 1930 (not to exceed 432 head weekly), 9 gold crowns per 100 kilos (83¢ per 100 lbs.); live hogs: (a) weighing over 40 and up to 150 kilos each (over 88 and up to 331 lbs. each), for an annual quantity of 20,600 head, 18 gold crowns per 100 kilos ($1.65 per 100 lbs.); (b) weighing over 150 kilos each (331 lbs.), free (quantity not to exceed 900 head per week, regardless of weight per head); slaughtered hogs and pork, for an annual quantity of 2,000 metric tons (8,809,200 lbs.), 26 gold crowns per 100 kilos ($2.39 per 100 lbs.); beef, for an annual quantity equal to 30 per cent of the contingent of 100 metric tons (220,460 lbs.)which are permitted into Austria per week, 23 gold crowns per 100 kilos ($2.11 per 100 lbs.). These duty concessions were to be effective until October 31, 1931, but were to be superseded by a similar arrangement upon their expiration. If they were not renewed, the whole commercial treaty was to expire with them.

Another concession to Rumanian agricultural products was granted by Austria on dried apricots, the new rate being 12 gold crowns per 100 kilos ($1.10 per 100 lbs.), instead of 20 gold crowns per 100 kilos ($1.84 per 100 lbs.) as formerly.

The foregoing concessions, as stated above, were not exclusive in nature, being generalized to other countries having most-favored-nation agreements with Austria. It is to be noted, however, that Austria and Rumania both reserved to themselves the right to enter into special arrangements with third parties to the exclusion of each other under certain conditions. They agreed that the most-favored-nation clause should not be applicable "to new rights or privileges which may be granted in the future by one of the High Contracting Parties in multilateral conventions in which the other does not participate, provided the said conventions are concluded under the auspices of the League of Nations or registered with the latter and may be freely adhered to by any State; however, the benefit of the rights or privileges in question may be claimed by the interested High Contracting Party if the said rights or privileges are also stipulated in conventions other than the multilateral conventions as described above, or if the Party claiming this benefit is disposed to grant reciprocal treatment."

Upon its expiration at the end of October, 1931, the above treaty was immediately renewed, to be effective until December 31, 1931. This time Rumania was authorized to export to Austria a quota of 365 oxen, 900 hogs, and 20,000 kilos (44,092 lbs.) dressed meat per week. The treaty was later prolonged again but it has since been reported that it will expire finally on June 30, 1932. The Austrian Government has announced that the present treaty will be replaced by a new one on the open preference system.

Negotiations were concluded for a clearing (of foreign exchange) arrangement between the two countries; but up to April, 1932, no such arrangement between them had become valid.

Besides aiming to secure trade preferences in other countries, Rumanian international negotiation has had for its object the formation of international cartels to aid the export market in respect to several countries at once. For example, the Government cooperative of Rumania has entered into an agreement with the corresponding organizations of Bulgaria and Yugoslavia whereby each is to keep the others informed daily of their sales prices so as to maintain the same level of prices. In April it was reported also that the Rumanian Government was negotiating with Argentina for the establishment of a corn cartel for the control of the world's export trade in corn. (Argentina supplies about 70 per cent of the world's exports of corn and Rumania about 10 per cent, these ratios being subject to wide fluctuations in some years.)

5. Import restrictions - Rumania has been following a definitely protectionist policy since the war, especially as regards domestic manufacturing. She levies high duties on many agricultural products as well; but inasmuch as the more important farm products are exported in quantity, the protection granted them is largely nominal except in so far as trade is subject to artificial control. Some of the rates of duty levied on Rumanian agricultural products were as follows as of January, 1932 (converted to U. S. currency at par): corn 5.6 cents a bushel; wheat 25.8 cents a bushel; wheat flour, $1.00 a barrel, including a turnover tax of 2.2 per cent ad valorem on official valuation basis; and wool 27 cents per 100 pounds when imported in the natural raw state, 76 cents per 100 pounds when washed and scoured. Of the foregoing list, wool alone is on a net import basis and thus in a position to benefit through a possible price raising effect of the tariff.

A peculiar case is presented by the tariff on sugar, which appears to be effective in raising the domestic price although the country is on an export basis for sugar. This situation arises from the fact that the manufacture of sugar in Rumania is carried on by a closely-knit cartel which regulates the beet plantings and prices and fixes the price of sugar. A policy of high retail prices maintained by the manufacturers led to modification of the import restrictions on sugar by the Government.

Until February 27, 1932, the import duty on refined, granulated sugar was 22.50 lei per kilogram ($6.12 per 100 lbs.), general tariff, or 15.00 lei per kilogram ($4.08 per 100 lbs.), preferential tariff; for lump sugar the import duty was 24.75 lei or 17.50 lei ($6.74 or $4.76 per 100 lbs.), respectively, per kilogram. These duties were lowered by a law passed on February 20, 1932, and promulgated on February 27, 1932, to 4.0 lei per kilogram ($1.09 per 100 lbs.) for granulated sugar, both maximum and preferential tariff, and 5.0 lei per kilogram ($1.36 per 100 lbs.) for lump sugar, both tariffs. The law, moreover, contains a paragraph reading: "In view of the currency exchange market, the importation of sugar is to be contingented. The quotas will be fixed by the Cabinet". The practical effect of this paragraph is to put the control of the price of sugar into the hands of the Government, including the control of the retail price.

Of special interest to the United States is an import prohibition on American apples on the ground that they contain arsenic in harmful quantities. The prohibition was established on August 19, 1931, cancelled on February 26, 1932, and renewed on April 2, 1932. In addition, the duty on foreign apples was increased on April 20, from 1,000 lei to 2,500 lei per 100 kilos (from $2.72 to $6.80 per 100 lbs.)

6. Tobacco monopoly - Until February, 1929, the Rumanian tobacco monopoly was under the direct control of the Ministry of Finance. On that date the tobacco and cigarette paper monopoly, along with several other monopolies, such as those in match and salt, were concessioned for a period of 30 years to the Autonomous Monopolies Institute, commonly known in Rumania as the C.A.M. The C.A.M. is operated on a commercial basis independent of the General State Budget, having been established primarily to furnish a reliable source of income offerable as a guarantee for State loans. Under the monopoly accorded to it by the Government in the production, manufacture, and sale of tobacco and tobacco products, the C.A.M. controls the growing operations of farmers and fixes the prices received by them.

Tobacco is cultivated in Rumania by small farmers who have obtained a special authorization from the C. A. M. and who bind themselves to sell their entire production to the Monopoly at prices previously established. Sowing and harvesting operations are under the control of inspectors who check, grade, and weigh the crop. After being harvested, the tobacco is delivered to the C.A.M. in bales of 30 to 80 kilograms (66 to 176 lbs.) consisting of bundles of 30 to 40 leaves. The farmers transport the tobacco with their own oxen or horse-drawn carts to the nearest C.A.M. depot where the bales are weighed again and the production of each farmer checked with the records of the inspectors. The farmers are responsible for shortages in delivery in excess of a certain percentage, which varies according to the degree of humidity and the quality of the tobacco. The tobacco delivered by the farmers to the various storage centers of the C.A.M. is sent to curing depots. There are 26 such depots in the country and the construction of others is pending.

The Rumanian tobacco products are manufactured by 6 factories situated in the following cities: Bucharest, Timisoara, Cluj, Jassy, Kishinau, and St. Gheorghe. Tobacco destined for export is either exported directly by the Monopoly Institute or by private parties who have bought it from the Institute. In the latter case, the tobacco remains in the warehouses of the Monopoly until it is shipped abroad. Tobacco products may be sold only by dealers authorized by and under the control of the C.A.M.

There are three categories of tobacco stores in Rumania: (a) special stores where the dealers are authorized to sell only monopoly products, for which they receive a commission of 7% on the retail price; (b) ordinary stores where the dealers are authorized to sell other goods not competing with the monopoly products (as regards this type of store

the C.A.M. pays a commission of 3% on the retail price of its products); and (c) village stores where the dealers receive a commission of 5% on the retail price.

7. Government intervention in cooperative marketing - In March, 1929, the cooperative movement of Rumania underwent a radical reorganization. On that date a "Law for the Organization of the Cooperatives" became effective having for its chief purpose the coordination of the activities of cooperative societies. The movement was to be stimulated by the granting of special legal and fiscal advantages.

The present law requires the various cooperative societies to form unions for the purpose of coordinating and controlling their activities. All the cooperatives which failed to join such a union before March 28, 1930, lost the advantages granted them by the new law. The unions have no capital and the members of their boards are elected by the various cooperative societies, the activities of which are controlled by the unions. The unions in turn are guided and controlled by the "National Office of Rumanian Cooperation", attached to the Ministry of Labor. The National Office is managed by the "General Council of Cooperation". This council consists of five members appointed by the Government, nine members appointed by the cooperative societies, one delegate from the Central Cooperative Banks, and three specialists nominated by the above members.

The new law provides also for the organization of a "Central Cooperative Institute for Export and Import" formed as a joint stock company the shares of which are owned by the cooperatives and whose purpose is to supply the societies with necessary articles as well as to sell their products. This institution is located in Bucharest and is as a matter of fact, the business organ of the cooperatives, being managed by a board of eleven members elected from the delegates of the associated cooperative societies.

The Institute for Import and Export is authorized to perform the following operations: (1) To buy on the demand and for the account of the associated cooperative societies agricultural implements and machinery, grains, fertilizers, and all kinds of goods needed by them; (2) to receive on consignment goods to be sold on a commission basis to the associated cooperative societies; (3) to take over the representation of products needed by the associated cooperative societies; (4) to sell on a commission basis the products of the associated cooperative societies; (5) to organize the sale in common of the products of the cooperatives and their members, concluding contracts for them or facilitating their conclusion between the buyers and sellers; (6) to advance money on account of the products deposited for sale or contracted to be sold in accordance with the rules established each year by the meeting of the general assembly and to conclude loans for this purpose; (7) to fill through the associated cooperatives orders received from the Government or other institutions; (8) to collaborate with the cooperatives in improving the qualities of the

products and in establishing grades with a view to better prices; (9) to employ specialists for guiding the producers and for organizing production and sales; (10) to organize information agencies and establish representatives in the country and abroad; (11) to buy and construct buildings necessary for its operation; and (12) to participate as an associate in any kind of enterprise in order to achieve its objects.

The chief financer of the Import and Export Cooperative is the "Central Cooperative Bank", which is a quasi-governmental institution organized for the purpose of financing the cooperative movement.

According to the new law, the capital of each cooperative must consist of individual parts having an equal value. Each share must have a minimum value of 500 lei ($3.00) and the maximum number of shares which a member can hold is limited to 100. With the special approval of the "National Office of Rumanian Cooperation", which is the supreme controller of cooperation matters, the societies can issue shares, but only in the name of the bearer, i.e., nominal shares.

It was reported in April, 1932 that the Rumanian Central Import and Export Cooperative had closed agreements with leading cooperatives in Czechoslovakia, Holland, and France. The foreign cooperatives agreed to represent the Rumanian cooperative in their respective countries. It was believed that they would be able to accept about 25 million bushels of Rumanian corn. At about the same time the Rumanian Cooperative entered into an agreement (noted above under aid to cereals) with the corresponding central organizations of Bulgaria and Yugoslavia for each to keep the others informed daily as to its sales prices, so as to maintain the sales prices for all three countries at about the same level.

SOUTHERN RHODESIA

The agricultural price supporting measures enacted in Southern Rhodesia relate mainly to industries on an export basis, such as tobacco, corn, dairy products, and livestock. The most interesting of these is the Maize Control Act of 1931. Import duties, however, have also been resorted to and at the present time Southern Rhodesia maintains duties on a long list of agricultural products.

1. Control of the corn trade: The Maize Control Act of 1931 - Since June 1, 1931, a plan has been in operation for lifting the exportable surplus of corn (maize) from the domestic market and selling it abroad for whatever it will bring, while at the same time maintaining the domestic price at a level materially higher than that of the export price. The burden of selling corn at the lower export price level is distributed equally among the producers on the same general principle as the equalization fee plan proposed in the United States.

The plan is set up in the Maize Control Act of 1931 and is to remain in effect until May 31, 1934. Under this act practically all corn entering commercial channels becomes the property of a Maize Control Boad consisting of ten members, six of whom are chosen to represent the farmer's interests. On receiving corn, the Board issues "participation certificates" to the growers. It disposes of as much of the corn as it can to domestic dealers at prices which it fixes above world levels and then markets the surplus corn abroad at the lower world prices. Growers are paid in part before the end of the marketing season. On May 31, a final settlement is made, each grower receiving returns according to the number of bushels which he has assigned to the Board. The price which he receives is between the price charged by the Board in selling to domestic dealers and the world-parity price.

The net price eventually received by the producer is, of course, lower than the price fixed by the government on sales for domestic consumption, but is higher than world parity, at which all of the crop would otherwise have been sold. The difference between the artificially-sustained domestic price and the world price is spoken of as a loss on the exports of surplus corn. Compensation for this "loss" does not take the form of an outright levy but is represented in the difference between what the grower gets for his corn and what the Maize Control Board charges the dealers who supply the domestic market. There is thus no actual fee assessed back against the producer; but apart from this, the method is similar to that involved in the so-called equalization fee. Essentially, what the plan does is to lift the surplus from the domestic market, permitting the remainder to be sold in the home market at prices high enough to compensate for "losses" on the portion exported and still to enable the government to pay the growers higher prices than those prevailing in the world market.

The creation of a Maize Control Board was in itself a step of major importance. As previously mentioned, the Board consists of ten members appointed by the Governor. Five of them are representatives of the maize cooperative societies; one is representative of the Maize Growers' Association; one, the Government; one, the consumers of corn; one, the Salisbury Chamber of Commerce; and one, the Bulawayo Chamber of Commerce. The first six represent the corn growers and the last two represent the dealers, thus affording to the growers complete control over the policies of the Board.

The main powers granted to the Maize Control Board are: (1) to borrow money to enable it to carry out its functions and to make advances to producers; (2) to enter into contracts for carrying out any work in connection with the handling, milling, treating, storage, grading, sale, or export of maize and maize meal; (3) to dispose of any corn in its possession on any terms it deems best; (4) to grant advances and make disbursements on the account of any producer or dealer; (5) to make rules relating to the receipt, handling, storage and dispatch of corn by its local agents; (6) to make interim distributions to producers and dealers of the proceeds of any sale after deducting the amount of any advances or disbursements previously made and any costs that may have been incurred.

A considerable portion of the maize production of Southern Rhodesia is exempt from the control of the Board. In particular, corn to be consumed on the farm where grown does not become the property of the Board. Imported corn is exempted from control when imported for consumption by the importer or his dependents, servants, employees, or stock. The law further provides that "any maize or maize meal, the acceptance of which has been declined by the Board, shall not vest in the Board, and may be sold or otherwise disposed of as the owner thinks fit"; and "any maize intended for seed shall not vest in the Board and may be sold by the producer, but at a price not less than 5s. per bag (34.1¢ per bushel) in excess of the current price of maize fixed by the Board from time to time." Moreover, the Board can by regulation exempt from the provisions of the act, the corn grown in any defined area in which case it may be sold or otherwise disposed of as the owner thinks fit. Other exemptions apply mainly to stocks on hand when the act was adopted. Corn and corn meal up to the amount of 15,000 bags (53,600 bus.) held by any trader-producer or dealer as on June 1, 1931, and corn and corn meal required for the completion of any lawful contract duly entered into on or before April 3, 1931 and registered with the Board, are exempted from the control of the Board. This last provision exempting stocks on hand, etc., ultimately proved a serious impediment to the success of the Board's operations for the first year, as will be explained in a moment.

Under the authority granted by the Maize Control Act, the Board on June 10, 1931, fixed the opening prices at which it would sell corn in Southern Rhodesia. These opening prices varied from 68 cents a bushel at Salisbury, which is nearer the seaboard, to 75 cents a bushel at Fort Victoria, which is further inland. The average price received by the Board for local sales during the first year of the Act amounted to about 65 cents a bushel, while the average price received for export sales amounted to about 34 cents a bushel. It is contended that if it had not been for the Maize Control Act, the pressure of the exportable surplus would have reduced the local price to the lower export parity. It was reported in May, 1932, that the Board had already made a payment amounting to about 34 cents a bushel and that final settlement with the individual growers was expected soon.

During the first year of the operation of the Maize Control Act the Board took the bulk of the corn crop of 1931. Out of the total crop of 5,712,000 bushels the Board took over 4,000,000 bushels. Of this amount 693,354 bags (2,475,000 bus.) was sold, leaving for subsequent disposal some 455,000 bags (1,624,000 bus.) plus small quantities still reaching the pool. It appeared at the end of January (1932) that such disposal might be difficult to achieve inasmuch as the time for the new harvest was close at hand and only about 100,000 bags (357,000 bus.) were required for carryover to the next year.

The marketing of the 1931 crop had already proved more difficult than had been anticipated. Three important factors contributing to the marketing difficulties of the Board were: unusually large sales off the

farms, competition in the domestic market from corn exempted from the act, and diminished demand in the export market. Whereas producers had previously been absorbing some 2,606,000 bushels of corn annually, they took only 1,250,000 bushels of the 1931 crop, disposing of an additional 1,356,000 bushels to the Board. With the total surplus estimated at 2,142,000 bushels, an unusually large figure, the increased marketings by farmers account for about 63 per cent of the surplus. In disposing of its supplies the Board encountered further difficulty in the shape of competition from the supplies exempted from its control. These latter totalled 329,207 bags (1,175,000 bushels), consisting of 53,270 bags (190,000 bushels) held for contracts previously existing, 97,500 bags (348,000 bushels) produced in exempted areas, and 178,437 bags (637,000 bushels) exempted from control. Most of this million bushels of corn was sold in the domestic market in direct competition with the Board. Disposal of the 1931 crop was also rendered more difficult by reduced demand both at home and abroad. In the domestic market limited activity of the copper mines restricted their takings, which normally are an important factor in the demand, while in the export market a smaller demand from the Congo and Northern Rhodesia was apparent.

2. Import duties - The Southern Rhodesian tariff law at the present time provides for three schedules of duty, one in respect of goods which are not entitled to preferential treatment, one in respect of goods from the United Kingdom and British Possessions which grant reciprocal privileges (viz., Canada, Australia, and New Zealand), and one in respect of goods from British Colonies, Protectorates, or Possessions which do not reciprocate. Illustrations of the rates which she imposes on imports of agricultural products from countries outside the British Empire, follow.

On live cattle for slaughter the duty is 1 £ 10s ($7.30 at par) per head; on butter, 2¼d. (4.56 cents) per pound; on cheese, 30% ad valorem or 4½d. (9.12 cents) per pound, whichever is the greater; on butter substitutes and other edible vegetable fats, 4d. (8.10 cents) per pound; on wheat, 1s. 2d. per 100 pounds ($0.17 per bu.); on wheat flour, 2s. 6d. per 100 lbs. ($1.67 per bbl.); on barley, buckwheat, kaffir corn, millet, oats, rye, and corn, 2s. (49 cents) per 100 lbs.; on corn meal, 3s. (73 cents) per 100 lbs.; on eggs in the shell, 1d. (2.03 cents) per lb.; on fresh fruits, 5% ad valorem; on dried fruits of all kinds, 2¼d. (4.56¢)per lb.; on lard or edible meat fats, 1¼d. (2.53 cents) per lb.; on all meats, 1¼d. (2.53 cents) per lb.; on potatoes not intended for seed, 2s.(49 cents) per 100 lbs.; on other fresh vegetables, 5% ad valorem; on unmanufactured tobacco, 3s. 6d. (85 cents) per lb.; on sugar (candy, loaf, castor, icing, and cube) 6s. ($1.46 per 100 lbs.; and on other sugar, 4s. 6d. ($1.09) per 100 pounds.

3. Other price maintenance measures - Other assistance has taken the varying forms of a dairy products control scheme resembling the Paterson Plan in Australia, (See Australia), a straight export bounty on beef and cattle shipped overseas, an indirect premium on the milling of domestic wheat, and control of the tobacco trade.

(a) Butter and cheese - In harmony with her neighbor, the Union of South Africa, Southern Rhodesia has created a Dairy Industry Control Board (effective Oct. 1, 1931) to supervise a plan in connection with butter and cheese similar to the Paterson Plan in Australia. (See Union of South Africa). The Control Board collects a levy of 1d. per pound (2 cents at par) on all butter and cheese manufactured for sale either in creameries or on farms. Out of the fund derived from this levy, bounties are paid on the exportation of these products. Imports from foreign countries are prohibited except under a special license granted by the Minister of Agriculture, neighboring members of the British Empire alone being exempt from this requirement.

(b) Cattle and beef - From 1929 to the end of 1931, a bounty was paid on meat and cattle exported overseas. The amount of the premium was one cent a pound on dressed beef. The total amount of the bounty payable could not exceed $122,000 in any one year. The payment of the bounty was limited to cattle for which the purchase price was not less than $2.14 a hundred pounds on the hoof.

(c) Milling premium for domestic wheat - A refund of the duty collected from mills on the importation of wheat is allowed when the foreign wheat is blended with domestic in the manufacture of flour. In consideration of this refund, millers pay 25s. a bag ($1.71 a bushel) to the local producers. This superseded the guaranteed price of 28s. a bag ($1.78 a bushel) which had prevailed since 1928.

(d) Tobacco sale and export control - During 1930 the Government passed the "Tobacco Sale and Export Control Act." This Act established a Tobacco Control Board. The functions of this Board in brief are: (a) to establish pools for the marketing of the domestic tobacco crop and to dispose of this tobacco; (b) to regulate and control the sale of tobacco for export; (c) to make interim distributions to producers of the proceeds of sales from the pools and when all of the tobacco in any pool is sold to make final payment of the balance due to producers. A significant feature of the act is the provision that all local tobacco manufacturers must purchase their supplies of leaf tobacco exclusively from the Board.

SPAIN

Spain is predominantly an agricultural country, and agricultural products, of which the most important are olives and olive oil, vegetables, almonds, citrus fruits, and hides and skins, predominate amongst her exports. For some important products, however -- notably cotton, tobacco, wheat, and meats -- she is dependent partly or almost wholly on imports; and with respect to these products she is therefore in a position to raise internal prices by restricting imports.

Among the measures undertaken by the Spanish Government to support prices of home-grown products or otherwise to encourage domestic agricul-

ture may be included the following, to be discussed below: tariffs, special regulations controlling the importation and sale of wheat, a tobacco monopoly, a system of import quotas, fixed prices for sugar cane and sugar beets, a special subsidy to corn growers, special seed loans to wheat producers, legislation providing for compulsory farming, and a five-year program of government subsidy on behalf of cotton production.

1. Tariffs - Spain maintains import duties on a wide range of agricultural products. The following rates will serve roughly to indicate the level of her agricultural tariff, these being the rates in effect as of December 1, 1931, including surtaxes and other fiscal charges levied at that time: Apples, 44 cents per 100 pounds; bacon, $4.89 per 100 pounds; barley, $1.07 per 100 pounds; corn and corn flour, 62 cents per 100 pounds; cotton, $1.00 per 100 pounds; hams and shoulders in natural state, $9.10 per 100 pounds; lard, $4.89 per 100 pounds; prunes, 53 cents per 100 pounds; rice, 89 cents and $1.78 per 100 pounds on husked and unhusked, respectively; wheat, 74 cents per bushel, and wheat flour $3.60 per barrel. It should be noted, however, that imports of wheat are prohibited until the price of wheat in the market of Castile for a month exceeds 53 pesetas per quintal ($1.11 per bushel at the exchange of April 16, 1932). The same provision applies to wheat flour, of which no imports can be made until the price of wheat reaches the required level.

The Spanish Government has been maintaining a sliding scale tariff in connection with the importation of corn since November, 1931. The decree of that date gives the Ministry of National Economy the authority to revise the duty on corn from time to time so as to maintain a balance between production, consumption and importation.

2. Wheat trade control and price fixing - The government of Spain has been enforcing legislation of one type or another for several years with a view to maintaining the price of domestic wheat at a fixed level. These measures have included laws fixing the amount of domestic wheat to be used in milling activities and laws fixing the prices to be paid to Spanish farmers for their wheat. Because of the acute depression in the Spanish wheat market, the government of Spain published a decree effective May 22, 1930, prohibiting the importation of foreign wheat and wheat flour. This prohibition was to remain in force until the price of wheat continued to exceed during one month 53 pesetas per 100 kilos in the markets of Castile. This was equivalent to about $1.80 a bushel at the exchange value of the peseta on June 1, 1930, and to $1.11 a bushel at the rate prevailing on April 16, 1932. The law provided, however, that if the price of wheat continued to exceed 53 pesetas per 100 kilos for one month, the Council of Ministers would issue permits authorizing the importation of foreign wheat.

This decree was followed by another on June 20, 1930, establishing the minimum and maximum prices at which domestic wheat could be sold during the crop year. The minimum price of first class domestic wheat was fixed at from 46 to 48 pesetas per 100 kilos ($1.44 to $1.50

a bushel at the average exchange value of the peseta during July, 1930), and the maximum price at 53 pesetas per 100 kilos ($1.66 a bushel at average exchange for July, 1930). These fixed prices were to be observed uniformly in all domestic wheat transactions. The inelasticity of the price structure, however, gave neither merchant nor farmer a chance to make good profits by prudent speculation unless the fixed price was not observed. In fact the farmers who had to meet pressing financial obligations are said in many cases to have secretly agreed with buyers upon prices below the official range.

When the new Republican Government came into power it announced that it would fix the price of wheat for the duration of one year at a figure which would be remunerative to the farmer but not detrimental to the consumer. It also decided to take steps that would definitely eliminate the practice of selling under the fixed price, and at the same time restore a certain measure of liberty to the trade. The solution was to fix for the duration of one year a minimum and a maximum price, between which speculation could take place without doing harm either to the farmer or to the consumer. Precaution against buying or selling under the minimum price was taken by imposing heavy fines on buyers or sellers who effected transactions in violation of the law.

The new plan of the Republican Government for price control in Spain was announced in a decree dated June 15, 1931. This decree did not, however, alter the previous basic fixed price range of 46 to 53 pesetas per 100 kilos. Rather, it sought to make the system of price-fixing more effective. It stipulated that all transactions in wheat during the period of July 16, 1931 to June 15, 1932, shall range between a minimum and a maximum of 46 and 53 pesetas per 100 kilos (equivalent to $1.17 and $1.34 per bushel at the average exchange rate of July, 1931, and to $0.96 and $1.11 at the rate of April 16, 1932). The prices were to apply to all types of domestic wheat under the condition that the product was clean, sound, suitable for flour manufacturing, and did not contain more than 2 per cent of foreign matter and split grains. The decree also provided for the settlement of any disputes that might arise between the buyer and the seller regarding quality, etc. Regulations were also established providing for the reporting of production statistics, stocks, prices received and paid by growers, millers, etc. In addition the decree authorized the provincial sections of the Ministry of National Economy to fix monthly flour and bread prices in each of the provinces.

With a view to further strengthening the new law (of June 15, 1931), and especially to prevent farmers from selling under the fixed minimum price, a supplementary decree was issued on July 31. This decree prohibited commercial transactions in or shipments of wheat without first securing a "shipping certificate" from the Municipal Committee of Rural Police. This "shipping certificate" is issued only after both the buyer and the seller have given all details as to the transaction. The certificate must contain the name of the buyer and the seller, origin and destination of the product, prices, and the means of transportation used.

The decree of July 31, 1931 also authorized the Rural Police to act as clearing agents for wheat transactions. That is, they can accept sales offers from the farmers or purchasing offers from the buyers and thus facilitate marketing by bringing the two parties together. A fee amounting to 0.25 peseta per 100 kilos (1/2 a cent a bushel at the exchange of April 16, 1932) has been fixed for this service, of which 0.15 peseta or 60 per cent must be paid by the buyer and 0.10 peseta or 40 per cent by the seller. The seller, however, must be a farmer and can offer only his own product. The decree also requires all millers to maintain in their establishment at all times a quantity of wheat or flour which would at least equal the quantity of wheat milled or the amount of flour produced during two weeks of a normal daily milling ratio.

The formalities connected with obtaining the "shipping certificate" required by the decree of July 31, 1931, and the consequent delays in transactions, soon gave rise to serious complaint. The obligation of executing a sales contract and of explaining all details of the transaction to the local police preliminary to securing the "shipping certificate", was especially objectionable to those engaging in small transactions, purely of a local character. The government, therefore, issued a new decree on August 13, 1931, providing that effective August 15, 1931, all transactions in wheat that did not exceed five quintals (18 bushels) would not be subject to this requirement.

This decree was followed on August 18, 1931, by another which fixed certain regions in which the wheat trade of Spain would be subject to no regulations whatsoever. These regions cover specified provinces which together produce about 30 per cent of the total Spanish wheat crop. The exemption of the wheat grown in these provinces from the provisions of the decrees of June 15 and July 31, 1931, is based on the government's assumption that wheat prices in those regions would not in any event fall more than a few cents below the minimum prices established in the original law of June 15, 1931. Wheat prices in these exempted regions in the past have always been above those prevailing in other parts of the country. While about 30 per cent of the wheat produced in Spain has thus in theory lost the protection afforded by the minimum price feature of the June 15 decree, and is therefore exposed to the influences exercised by the trade which, of course, is interested in buying wheat as cheaply as possible, it is suggested that these very influences will work to keep prices in the free zone at or above the minimum price fixed for the remaining 70 per cent of the crop grown in other parts of Spain.

Theoretically, the wheat growers in Spain would derive a benefit from the minimum price regulation only if it applies to the entire country. Farmers in the exempted zone will, however, presumably try to sell their entire stocks as soon as possible by quoting prices somewhat below the minimum price. And since Spain consumes her entire domestic crop the total production of the country will be sold to consumers during the

year. Bearing in mind that imports cannot be made until the domestic average price has reached 53 pesetas per metric quintal ($1.11 per bushel at exchange of April 16, 1932) and that the duty on wheat is 74 cents per bushel, it can be seen that a market is thus guaranteed for the entire Spanish crop. The main effect of the exemption, therefore, will be simply that the growers in the non-exempted regions may have to wait longer before they can sell than those in the exempted region whose stocks will probably be sought first by the trade.

Although all importation of wheat into Spain is forbidden until the domestic price level averages 53 pesetas per quintal during a period of one month, the Ministry of Finance on September 21, 1931, authorized the duty free importation of 20,000 quintals (73,487 bushels) of Manitoba No. 1 wheat for sowing purposes. In this connection it was announced that the general embargo on wheat remains in effect but that the government would issue permits to import specified quantities of special types of wheat from time to time when needed for sowing or other purposes.

The above regulations resulted in an actual shortage of wheat in the Spanish market by the beginning of April, 1932. In order to prevent a threatened increase in bread prices the Government issued a decree on April 19, 1932, authorizing the importation of 50,000 tons (1,837,000 bushels) of wheat. This amount was deemed sufficient for immediate requirements and it was announced that permits would later be issued for further importation. This decree also specified that the Ministry of Agriculture, Industry and Commerce would fix the duty to be imposed on wheat every ten days. The basis for determining the duty was to be the average quotations on wheat and on Spanish currency in foreign markets, so that the price of imported wheat in the Spanish market would not be less than 53 pesetas per 100 kilos ($1.11 a bushel at exchange as of April, 1932). The decree also provided that no shipment of wheat could be imported without the express authorization of the Ministry of Agriculture, Industry and Commerce.

On April 29, 1932, the Government authorized the importation of an additional 100,000 tons (3,674,000 bushels) of wheat. On May 26, 1932, authority was issued for importation of another 100,000 tons of wheat. On June 13 and 15 the Government issued two decrees, the first authorizing the importation of 300 tons (11,000 bushels) of hard wheat for industrial uses (especially for the manufacture of wheat starch); and the second, authorizing the importation of 25,000 tons (919,000 bushels) for bread making purposes. This brought the total amount of wheat authorized for importation to 275,300 tons (10,115,000 bushels). All of this wheat had to be in the Spanish market by July 10, 1932.

3. <u>The tobacco monopoly</u> - The production and marketing of tobacco in Spain has been a state monopoly for a number of years. The government controls and regulates the acreage that may be planted to tobacco, the number of tobacco plants which may be grown per acre, and the prices that must be paid for leaf tobacco. Farmers must make application to the monopoly in order to grow tobacco.

The maximum area to be planted to tobacco during 1932-33 has been fixed at 5,000 hectares (1 hectare is equivalent to 2.471 acres). The number of farmers who may grow tobacco during 1932-33 is limited to 9,115 growers and preference in regard to granting the growing concessions is given to farmers who have obtained such concessions in previous seasons. The minimum number of tobacco plants to be grown by each grower is 2,000 and the maximum 150,000. The number of plants per hectare is fixed on the basis of the variety planted and soil conditions.

The prices to be paid for sound leaves range as follows: Extra quality, 3.50 pesetas per kilo (12 cents per pound at the exchange of April 16, 1932); first quality, 2.25 to 2.75 pesetas (7.86¢ to 9.60¢); and third 1.25 to 1.75 pesetas (4.37¢ to 6.11¢). These prices apply only to so-called current varieties. A premium of from 15 to 25 per cent will be paid for Cuban and Philippine varieties.

4. Import quotas - Under a decree issued December 24, 1931, the Spanish Ministry of Agriculture, Industry and Commerce is authorized to fix import quotas on refrigerated meats, fish, eggs, tobacco and a long list of industrial products. Provision is made for the addition of other commodities to the quota list as occasion arises. The decree provides that the government may allocate the quotas among the various exporting countries according to the necessities of Spanish economy. The decree is said to have been motivated by the obstacles which various countries have established against Spanish exports, and its declared purpose is set forth as being to "diminish the importation of goods from countries which penalize Spanish exports".

5. Fixed prices for sugar cane and sugar beets - In furtherance of its policy of encouraging the sugar cane and sugar beet industries of the country, the Spanish Government, on February 23, 1932, issued a decree fixing the 1932-33 contract prices for sugar cane and sugar beets. The decree also provided that sugar producing firms shall notify the Commission Arbitral Agricola of the quantities of cane and sugar beets which they will need for the present season within eight days of the publication of this order. It was also provided that these data should be submitted to the Comision Mixta Arbitral. This Committee was ordered to meet with representatives of sugar cane and sugar beet producers and manufacturers of sugar to determine whether any restriction of the area to be planted in cane and beets should be ordered as provided for by a law of June 14, 1929.

Another article of the decree of February 23, 1932, authorized the sugar producers to submit a proposed price for sugar beets to the Jurado Mixto before the 15th of October of each year. This price according to the decree is to be high enough "to satisfy the requirements of beet cultivation in relation to other cultivated products and in relation to the agricultural economic condition of the producing region, and the general condition of the sugar industry."

6. Special subsidy to corn growers - During the 1929-30 and 1930-31 crop years the Spanish Government sought to increase the area devoted to the production of corn by paying a subsidy of 200 pesetas for every hectare ($8.70 per acre at the average exchange value of the peseta for December, 1930) of corn planted on dry land, i.e., in non-irrigated areas. In addition, the government supplied the necessary seed as a stimulus to farmers. During the 1931-32 crop year the government is subsidizing the production of corn in certain specified non-irrigated areas to the extent of 100 pesetas per hectare ($3.12 per acre at the exchange of April 16, 1932). This smaller and more restricted subsidy during 1931-32 is to be granted, moreover, only to farmers in the specified areas who have not been subsidized during the preceding two crop years. In order to obtain this subsidy the farmers must follow the instructions of the government governing the cultivation of corn. A register of those who desire to grow corn on dry land is to be kept in each area to which the subsidy is applicable. Free seed will be distributed to registered farmers to the extent of 20 kilograms per hectare (about 1/3 bushel per acre) up to a maximum of two hectares (approximately five acres) for each farmer.

7. Special seed loans to wheat growers - A decree of September 11, 1931, authorizes the National Agricultural Credit Service to grant special loans in cash to farmers for the purpose of buying seed wheat. This loan is to be paid by September 30, 1932. No interest is charged for these loans and farmers are not obliged to give individual security. The security is to be given collectively by legally established Agricultural Associations. Farmers who pledge themselves in their applications for the seed loan to buy seed selected by the Institute of Cereal Cultivation will be given preference by the National Agricultural Credit Service in the distribution of the loan. This decree, while not strictly a price maintenance measure, is nevertheless significant as an illustration of the effort being made by the government to bring greater prosperity to domestic agriculture and to render the country less dependent upon imports.

8. Regulation of land use and farming practices - Another measure designed to strengthen the position of domestic agriculture is the decree of May 7, 1931, giving the government authority to enforce the utilization of farm land in accordance with a program worked out by the state. The decree provides that the Municipal Committees of Rural Police shall ascertain, with the help of experts from the National Agricultural Service, which of the already existing farms are not being operated in accordance with approved farm standards. These Committees are then authorized to recommend for such farms a programme of farm operations worked out by the state. If the proprietor of the farm does not start with the work within two days after official notification the government itself will operate the farm.

A supplementary law of September 9, 1931, provided that where the Ministry of National Economy finds it necessary to take over the management of a farm, such management will be conducted by an agricultural board acting under the supervision of the Ministry of National Economy. The law of September 23, 1931, also provided that after the

harvest the property managed by the state will be given back to the proprietors but the proprietors will not receive any indemnity for profits derived from the property during the period of state management. The profits made during this period will be divided as follows: (a) one-third to the organization which managed the farm; (b) one-third to the farm workers in accordance with the number of working days contributed by each worker, and (c) one third to the Municipal authorities to be used in covering any deficits that might be caused by compulsory management of other farms in the particular region, any surplus remaining to be used for aiding the unemployed.

A decree of October 2, 1931, provided that the decrees of May 7, and September 9, 1931, should be enforced immediately in the following regions: Andalusia, Extremadura, Toledo and Ciudad Real. These regions include some of the most important wheat and barley growing provinces in Spain. It happens, however, that the yields per acre in these regions have been relatively low due to the careless cultivation methods practiced on the large estates under absentee ownership. It is the intention of the state to bring about an increase in the yield on large farm units in the interest of national economy.

The fundamental economic purpose of the law on compulsory farming is to increase as soon as possible the agricultural output of the land at present under cultivation by enforcing a reform in farm management practices. On the basis of this legislation farming in Spain is no longer recognized as merely a private enterprise but rather as a public utility which must be conducted according to approved standards in the interests of national economy.

9. Restriction of exports of specified products - For the purpose primarily of keeping down the cost of living the Spanish Government has placed restrictions on the exports of specified agricultural (and other) products. This is not a price-supporting measure, its tendency being to reduce or limit the prices received by the producers rather than to increase them. It is of interest, however, as a price-influencing measure of an adverse type. A decree of June 1, 1931, provided for the establishment of an interministerial committee to control exports from Spain. This Committee was authorized to classify all exports into two categories, viz.: (a) goods which may be exported without restriction; and (b) goods of which the export may be subject to limitations. The Committee was authorized to fix export contingents for commodities included under category (b) and also to prohibit such exports entirely if deemed advisable to protect the interests of consumers and to keep down the cost of living. In accordance with the terms of the decree the Committee on June 1, 1931, placed an embargo on the exportation of potatoes, rice, dried legumes, livestock, fresh meat and pork products. The Committee also ruled on July 18, 1931, that exports of chick peas, beans and lentils were to be limited to the ratio existing between exports and production in former years.

10. Government support of cotton production - A decree published on March 18, 1932, definitely authorizes the Spanish Government to extend the cultivation of cotton in Spain to 100,000 hectares (247,000 acres) within a maximum period of five years. During 1930, the last year for which statistics are available, the total area under cotton in Spain amounted to 18,354 hectares (45,353 acres). This decree provides for the cultivation of cotton under "the immediate protection and vigilance" of the State. The land registered for growing cotton is to be inspected and its cultivation carefully supervised by the agronomical section of each of the provinces.

The decree also provides for bounties, indemnifications, advances, etc., to be fixed in the month of January each year. For the present year (1932) these have been fixed as follows: (a) The necessary seed, at the rate of 50 kilos per hectare (45 pounds per acre), will be supplied gratuitously by the Instituto de Fomento del Cultivo Algodonero (Institute for the Production of Cotton Cultivation); (b) A bounty of 100 pesetas per cultivated hectare ($3.06 per acre), will be given as soon as planting is completed on all land, both unirrigated and irrigated, on which cotton is planted; (c) An advance will be made of 50 pesetas per hectare ($1.52 per acre) on unirrigated and of 100 pesetas per hectare ($3.06 per acre) on irrigated land for aid in growing and harvesting, to be deducted later from the liquidation price; (d) The government will fix the prices to be paid the growers each year for their cotton. For 1932 these prices have been fixed as follows: for first-class cotton, 1 peseta per kilo (3.43¢ per pound); for second-class cotton, 80 centimos per kilo (2.74¢ per pound); and for third-class cotton, 60 centimos per kilo (2.06¢ per pound). (e) If the market price of cotton fiber in any year exceeds the fixed prices "the Ministry of Agriculture will determine the amount to be prorated between the total number of kilos harvested and that given to the cultivators as a bounty, in proportion to the amount of cotton delivered by each grower." (Quoted from Consular Report of April 15, 1932. We interpret this passage to mean that the government will first apply any profit on its buying and selling transactions to defraying the cost of the bounty and will then distribute any excess to the growers on a pro rata basis; but the wording is not clear)

Special provisions are also made for the absentee owners of unirrigated lands which are considered suitable for the cultivation of cotton. Any proprietors of such lands who set aside 2 hectares (5 acres) to be rented exclusively for cotton cultivation will receive, in addition to their fixed rental, 10% of the cotton collected when the planter does the preliminary work preparatory to sowing; and when this work is done by the proprietor himself, using his own stock and machinery for cultivation, he will receive 25% of the cotton harvested.

Factories for the separation of the cotton and seeds are to be established in the several provinces. These will be the property of a Syndicate of Cultivators, the capital necessary for their installation to be supplied in the proportion of 50% by the State and 50% to be advanced to the Federation by the Banco de Credito Industrial, to be amortized in ten years. Administrative inspection and technical direction of these factories is reserved to the Ministry of Agriculture.

Of the expenditures required to make the Decree effective, in the present year 2,000,000 pesetas ($151,192) will be provided out of the budget allowance of the Comisaria Algodonera (Government Cotton Corporation), which organization will be suspended; in addition, whatever funds may be in the hands of that organization are to be used; and 1,000,000 pesetas ($75,596), are to be supplied by the Comite Industrial Algodonero (Industrial Cotton Commission).

SWEDEN

In common with many of the other countries of Europe, Sweden has taken vigorous steps to aid the domestic cereals industry. For cereals Sweden is definitely on an import basis. The legislative measures adopted as an aid to wheat and rye producers have taken the form of mixing regulations, price fixing, curtailment of imports, and a system of export certificates. In addition the Government has established an import monopoly for sugar in exchange for a guarantee by sugar beet factories to maintain fixed prices for sugar beets.

1. Tariffs - For such products as wheat, rye, fruits, sugar, tobacco, oilcake, wool, cotton, vegetable fats and oils, and oilseeds, Sweden is definitely on an importing basis although she also produces some of these products. Pork, butter, hides and skins are the only agricultural items of importance in the Swedish export trade and even these are of relatively small importance compared with such exported items as lumber, wood manufacturies and wood pulp. The latter industries are entirely dependent on exports if the possibilities for production are to be fully exploited. For that reason Sweden in general has tended towards a policy of free trade. In recent years, however, there has been a definite movement towards at least moderate tariff protection for agriculture. Thus (for example, as late as December 1, 1931) the Swedish duties on certain selected agricultural products imported from the United States were as follows: wheat, 21¢ per bushel; wheat flour, 61¢ per 100 pounds; barley, 33¢ per 100 pounds; lard, $1.42 per 100 pounds; sugar, 66¢ to 94¢ per 100 pounds; apples, 94¢ per 100 pounds; and bacon, hams and shoulders $1.69 per 100 pounds. On February 1, 1932, the customs duties were increased on a long list of commodities, including such agricultural commodities as fresh apples and pears, bananas, lemons, coffee, certain live animals, certain types of cheese, potatoes, melons, cucumbers, asparagus, cauliflower, tomatoes, meat extracts, sausages, concentrated soups and many other prepared foodstuffs.

2. Milling regulations and monopolistic price-fixing: Wheat and rye. - Sweden has a system of wheat and rye milling regulations different from that in most of the other countries in that the Swedish system also provides for direct price-fixing of domestic grain by the Government. First inaugurated in June, 1930, by a voluntary agreement with the millers, the system was made mandatory in the autumn of that year when provisions

were made for a flexible schedule of milling ratios during the remainder of the crop year and for government guaranteed prices for domestic wheat, graduated upward throughout the marketing season so as to encourage a more even flow of domestic wheat to market. More recently (May 29,1931) the Government has granted a monopoly of wheat importation to an association of millers, and for all domestic wheat and rye unsold after June 1, 1932, has guaranteed a price of 18.50 kronor per 100 kilos for wheat and 16.50 kronor per 100 kilos for rye ($0.94 and $0.78 per bushel, respectively, at the exchange rate prevailing on April 16, 1932. At par of exchange these prices would be $1.35 per bushel for wheat and $1.12 per bushel for rye). This new phase of the Swedish grain trade and grain price regulation policy under a monopoly will be covered in detail under subsection (b), below. Attention will first be given to the earlier phases out of which the present monopoly developed.

(a) <u>Mixing regulations; and government price-fixing prior to June 1931</u> - As a result of recommendations made to the Government by an official Committee appointed to report on measures that might be adopted to support the Swedish market for domestic grain, two decrees were issued by the Swedish Government on June 13, 1930, providing (1) for the compulsory use of Swedish wheat and rye in the local manufacture of flour and (2) for the compulsory mixing of Swedish flour with imported flour. In accordance with the provisions of the latter decree, relating to the mixing of domestic with imported flour, it was ordered that, effective July 4, 1930, all flour sold in Sweden must consist of mixtures in which the domestic product represented at least 45 per cent in the case of wheat flour and 50 per cent in the case of rye flour.

The enforcement of the former of these decrees, which provided for the compulsory admixture of Swedish wheat and rye with imported grain in the local manufacture of flour, was withheld for the time being, owing to the fact that a temporary agreement had previously been entered into by the Swedish millers whereby they promised the Government that for the remainder of the crop year they would voluntarily use at least 45 per cent domestic wheat and 50 per cent domestic rye in their milling activities and that they would buy this grain from the producers at prices fixed by the Government. At the request of the Government the mill operators on July 16, 1930, increased the percentages of domestic grain used to 55 per cent in the case of wheat and to 60 per cent in the case of rye. It was decided that this voluntary agreement to use the specified percentages of domestic grain would remain in effect until early in September, 1930, by which time it was believed that the situation regarding the new crop would be sufficiently clear to enable the Government to fix prices and milling percentages in accordance with the decree of June 13, 1930.

Towards the end of August 1930, however, the State Cereals Commission indicated that the majority of the Swedish flour millers were of the opinion that the compulsory milling regulations should be announced and put into force as soon as possible. It was therefore ordered that Swedish millers, effective September 1 to October 31, would have to use at least

60 per cent domestic wheat and 70 per cent domestic rye in the manufacture of wheat and rye flour. The original act provided that the milling percentages for domestic wheat and rye were to be announced for definite periods. The question of these percentages is brought up periodically for review and possible revision, based on circumstances.

When the compulsory regulations fixing the percentages for domestic grain to be used were announced it was also provided that all mills that paid the fixed minimum prices for domestic grain during the period of the voluntary arrangement would be permitted to use 10 per cent less of domestic wheat and rye. It was also permissible for the mills to use certain lower percentages of Swedish grain for specified short intervals or for special purposes, but for the milling done over any whole milling period the larger percentages of Swedish grain specified have to be used. A table is given at a later point showing the milling periods and the percentages of Swedish grain and flour which have had to be used, since September 1930.

Reference has already been made to the fact that Sweden adopted a system of direct price-fixing for domestic wheat and rye coincident with her adoption, in September, 1930, of compulsory mixing regulations. When the Government announced its schedule of compulsory milling ratios for the remainder of 1930-31, it simultaneously published the prices which millers would have to pay for domestic grain during each month of the 1930-31 crop year. These prices were graduated upward in succeeding months in order that the farmer might be encouraged to hold his grain off the market for the higher prices prevailing later in the season, and thus prevent the usual dumping of grain on the millers during the harvesting months. The fixed minimum prices were for grain of satisfactory milling quality, weighing 62 pounds per bushel in the case of wheat and 58.5 pounds per bushel in the case of rye. These prices, ranging from $1.07 to $1.21 per bushel for rye and from $1.36 to $1.51 per bushel for wheat, applied only to country or inland mills. Mills situated at the seaboard had to add at least 50 ore per 100 kilograms (3.77 cents per bushel in the case of wheat) to these prices.

The following tabulation gives the minimum prices at which domestic wheat and rye had to be purchased during the 1930-31 crop year:

Scales of minimum prices for Swedish grain

Period	Prices in kronor per 100 kilos a/		In U. S. currency per bushel	
	Wheat	Rye	b/ Wheat	c/ Rye
1930:				
September 1 - 30	18.00	15.00	$1.36	$1.07
October 1 - 15	18.20	15.20	1.37	1.08
October 16 - 31	18.40	15.40	1.39	1.10
November 1 - 15	18.60	15.60	1.40	1.11
November 16 - 30	18.80	15.80	1.42	1.12
December 1 - 15	19.00	16.00	1.43	1.14
December 16 - 31	19.20	16.20	1.45	1.15

Scales of minimum prices for Swedish grain - cont'd.

Period	Prices in kronor per 100 kilos		a/ In U.S. currency per bushel	
	Wheat	Rye	b/ Wheat	c/ Rye
1931:				
January 1 - 31	19.40	16.40	$1.46	$1.17
February 1 - 28	19.60	16.60	1.48	1.18
March 1 - 31	19.75	16.75	1.49	1.19
April 1 - 31	19.90	16.90	1.50	1.20
May 1 - July 31	20.00	17.00	1.51	1.21

a/ Conversions made at par. b/ Bushel of 62 pounds. c/ Bushel of 58.5 pounds.

(b) <u>The new grain monopoly and price-fixing thereunder</u> - The original arrangement permitting the use of imported wheat and rye only when mixed with stipulated percentages of homegrown grain purchased at the above-mentioned fixed prices met with a great deal of criticism on the part of mill owners and of grain and flour importers. The Government, therefore, issued a decree on May 29, 1931, setting up a new plan for the protection of domestic wheat and rye producers. This new plan gives an association of Swedish flour millers, called the "Svenska Spannmalsforeningen" (The Swedish Grain Associations) the sole legal right to import wheat, rye, wheat flour, rye flour, mixtures containing wheat or rye, and wheat grits up to and inclusive of December 31, 1932. In return for this concession, however, the association of millers agrees to purchase all supplies of domestic wheat and rye of suitable milling quality, offered to it by the Swedish farmers.

The new Swedish price stabilization plan is unique in this respect, that the Swedish flour millers are given a free hand in their transactions with regard to acquisition of either imported or domestic grain up to June 1 of each year. In the event that there is any domestic wheat and rye on hand after June 1 of each year, however, the mills must buy it at the prices fixed in advance by the Government. In other words, while the mills may or may not purchase domestic grain up to June 1 of each year, they are always confronted with the fact that they will be compelled to purchase all of the domestic drop that is still unsold on June 1 of each year, at the prices fixed by the Government early in the season. The regulations requiring that all flour imported into Sweden must be mixed with flour from domestic grain continue in effect under the new grain monopoly. The Government likewise retains the authority to enforce the compulsory mixing of imported with domestic grain.

The new price stabilization plan authorized the Government to announce at the beginning of each crop year the minimum prices at which the mills will have to take over all of the surplus of wheat and rye still remaining unsold after June 1 of each year. It was accordingly announced that during the period June 1 to July 31, 1931, the lowest prices which the association of millers could pay for domestic grain would be those

established by the Government in connection with the old compulsory mixing regulations (see monthly price schedule given above). The lowest prices which the association may pay for stocks of Swedish wheat and rye during the period June 1, 1932, to July 31, 1932, were fixed by the Government on August 19, 1931, at 18.50 kronor per 100 kgs. for wheat and at 16.50 kronor per 100 kgs. for rye ($0.94 per bushel for wheat and $0.78 per bushel for rye, on basis of the exchange prevailing on April 16, 1932. At par of exchange these prices would be $1.35 per bushel for wheat and $1.12 per bushel for rye). In establishing these prices the Government took into consideration the crop prospects for the 1931 harvest. Harvesting usually takes place during August and September. Conditions early in September indicated that the 1931 harvest would be smaller than in 1930.

Farmers in Sweden have always shown a tendency to market most of their grain immediately after the harvest in August and September. As a result prices usually were low during those months and high during June and July. The new legislation places it entirely up to the farmers to market their grain so as to prevent too large offerings at one time. It is believed that the guarantee of a market at a fixed price later in the season will so influence the prices paid during the other months of the year that farmers will be encouraged to market their crop more rationally. In other words the knowledge that they will sooner or later have to buy all of the domestic wheat and rye offered for sale at fixed prices will force millers to maintain prices throughout the year. Moreover the Government by limiting the maximum amounts of imported wheat and rye and wheat and rye flour that may be used is always in a position to exercise fairly close control and supervision over the competition of imported supplies. On the other hand the millers themselves are in a position to control foreign competition since the decision as to imports is left entirely in their hands.

In order to cover its expenses and losses in connection with the execution of its duties the Association of Millers has the right to demand compensation from those to whom it issues permits to import wheat, rye, mixtures of wheat and rye, wheat and rye flour and wheat grits. The amount of "compensation" which may be collected is announced in advance by the Association. Anyone who has imported any of these products and who can show that he has re-exported them whether as grain or in any other form, has the right, however, to recover the "compensation" he has paid to the Association in connection with their original importation.

A table is submitted below showing the various fixed percentages of the domestic product that had to be used by millers in Sweden in their grain milling and flour manufacturing activities during the period from June, 1930 to May, 1932.

Compulsory percentages of domestic grain and flour applicable
in Sweden, July, 1930, to May, 1932.

Milling and mixing period	Grain		Flour	
	Wheat	Rye	Wheat	Rye
	Per cent	Per cent	Per cent	Per cent
1930-31				
July 4, 1930 to July 15, 1930	45	50	45	50
July 16, 1930 to August 31, 1930..	55	60	45	50
Sept. 1, 1930 to Oct. 31, 1930 ...	60	70	60	70
Nov. 1, 1930 to Dec. 31, 1930	75	85	75	85
Jan. 1, 1931 to Feb. 28, 1931	80	95	80	95
Mar. 1, 1931 to Mar. 31, 1931	85	95	85	95
April 1, 1931 to June 30, 1931 ...	85	95	85	95
1931-32				
July 1, 1931 to July 31, 1931	85	95	85	95
August 1, 1931 to Sept. 30, 1931 .	80	95	80	95
Oct. 1, 1931 to Nov. 30, 1931	70	60	70	60
Dec. 1, 1931 to Dec. 31, 1931	60	40	60	40
Jan. 1, 1932 to Jan. 31, 1932	60	40	60	40
Feb. 1, 1932 to Feb. 29, 1932	60	40	60	40
Mar. 1, 1932 to April 30, 1932 ...	60	40	60	40
May 1, 1932 to May 31, 1932	60	40	60	40
June 1, 1932 to June 30, 1932	50	30	50	30

3. Export certificates - Sweden has nominally in effect the so-called export certificate system for wheat and rye, but the system has little practical significance under existing conditions. The system was in effect as early as August 1, 1926, when a regulation provided that anyone who exported in one shipment 500 or more kilograms (1,100 pounds) of wheat or rye would receive an export certificate from the customs authority. This certificate indicated the amount of customs duty which it would have been necessary to pay on a similar imported quantity, and provided that the holder of such an export certificate would be entitled to import duty free a quantity of wheat or rye corresponding to the amount on which the export certificate was issued. The holder of the certificate was also entitled to receive payment in cash for the amount of the customs duty indicated on the certificate, less 2 per cent, in the event he did not care to use it in the payment of import duties.

Under normal conditions, however, Sweden exports very little wheat or rye, there being usually a need for a considerable import of these products. When the export certificate policy was first introduced exports of Swedish wheat and rye increased to large proportions. The consequent reduction of the already insufficient supply of domestic grain created a corresponding demand for imported grain, and imports increased to make up the deficit. In subsequent years, however, the price of wheat and rye in the export market declined to such low levels that shippers no longer

found it profitable to continue the exportation of Swedish grain in important quantities. This is still the situation. Internal prices of wheat and rye are now so much higher than the world market levels that the amount of the export certificates no longer offers any inducement to export. Hence virtually the entire domestic crop of both of these cereals is marketed in Sweden. The original export certificate system, however, has been extended from year to year and is still nominally in effect.

4. Price maintenance for sugar beets and the sugar importing monopoly - Attempts to maintain stabilized prices for sugar beets have been in force in Sweden almost continuously since the war. Until quite recently, however, these attempts were largely a matter of private arrangement between beet producers and sugar factories. There follows a resume of price control measures in effect during the last five or six years, beginning with the five-year price stabilization agreement between growers and factories, adopted late in 1926, and including the establishment by the Swedish Government, on March 1, 1932, of a sugar import monopoly under which certain refineries are now given the exclusive right to import sugar if they maintain a fixed price for domestic sugar beets.

(a) Five-year price stabilization agreement between producers and factories, 1927-31 - Late in 1926 a five-year agreement, to be effective during the five years 1927-31, was entered into between the sugar beet producers and the sugar beet factories. Similar measures had been in effect for a number of earlier years. The theory back of the five-year agreement was that the farmers and the sugar factories would share equally the eventual losses and profits of the sugar industry. It provided that the price of 100 kilos (220.46 lbs.) of beets containing 16 per cent of sugar would be maintained at $6\frac{1}{2}$ times the average annual price of one kilo of "krossmelis" (granulated, "K.5" Dutch standard) sugar, as quoted to the wholesalers in the price list of the Swedish Sugar Factory Corporation during the period from February 1 to January 31 of the following year. It was estimated that 100 kilos (220.46 lbs.) of sugar beets with a 16 per cent sugar content would yield approximately 13.5 kilos (30 lbs.) of "K.5" sugar. This agreement also provided for an increase or a decrease in the price of beets depending upon a sugar content above or below 16 per cent.

As stated, the basic sugar beet price was to be calculated on the wholesale price of 1 kilo of "K.5" granulated sugar. The following table, included in this agreement, shows the price which the farmers were to receive for 100 kilos of sugar beets with 16 and 17.2 per cent sugar content, when the basic cost of 1 kilo of "K.5" sugar varied between 40 and 50 ore per kilo. Conversions to United States currency are made at par in this table. It should be borne in mind, however, that since September of 1931 Swedish exchange has depreciated, the current rate for the krona as of April 16, 1932 being 18.67 cents, or about 30 per cent below par.

Price schedule fixed for sugar beets in Sweden under the five-year stabilization agreement between growers and factories, 1927-28 to 1931-32, inclusive.

Scale of wholesale cost of 1 kilo of "K.5" sugar		Price to be paid farmers for 100 kilos of beets of 16 per cent sugar content		Price to be paid farmers for 100 kilos of beets of 17.2 per cent sugar content	
Krona	a/ Per pound	Kronor	a/ Per short ton	Kronor	a/ Per short ton
0.40	$0.049	2.48	$6.03	2.60	$6.32
.41	.050	2.54	6.18	2.66	6.47
.42	.051	2.60	6.32	2.72	6.61
.43	.052	2.66	6.47	2.78	6.76
.44	.054	2.72	6.61	2.84	6.90
.45	.055	2.79	6.78	2.91	7.08
.46	.056	2.85	6.93	2.97	7.22
.47	.057	2.91	7.07	3.03	7.37
.48	.058	2.97	7.22	3.09	7.51
.49	.060	3.04	7.39	3.16	7.68
.50	.061	3.10	7.54	3.22	7.83

a/ Conversions into United States currency made at par.

This agreement was to be valid for a period of five years and was to regulate the price of sugar beets for the beet campaigns of 1927-28 to 1931-32 inclusive. The law provided, however, that if no notice regarding the discontinuance of this agreement was given before January 1, 1932, it would be prolonged for another year and would thereafter continue automatically for periods of one year unless notice of its discontinuance had been given at the beginning of the calendar year.

An important feature of the five-year agreement was the "safety clause" or privilege granted the individual beet grower to decrease the beet acreage which he had contracted to cultivate during any of the contract years, provided that the decrease did not exceed 50 per cent of the contracted area, and provided further that he submit a written report on the subject to the factory with which he had contracted to supply beets, before March 15 of the year in which it was desired to make the reduction. In other words, the grower had the right to reduce acreage by 50 per cent when the price for beets reached a figure at which it was unprofitable to continue cultivation on an extensive scale. Each individual producer, moreover, had the right to increase his allotted beet acreage up to 10 per cent of the amount mentioned in the contract, provided notice was given to the factory before February 15 of the year in which such an increase was to be made. On the other hand, the sugar company had the right to decrease the contracted area by 20 per cent, in the case of an over production of sugar beets, provided that notice was given to producers before January 1 of the year in which such reductions were to be made. Another important feature of the agreement was the provision that should the customs duties on sugar and molasses be changed during the life of the agreement, the effects of such changes were to be equally divided between the company and the beet growers.

(b) Government price guarantee to sugar beet growers, in 1930 and 1931 - Difficulties eventually arose under the first-year plan owing to its being based on the world price level for sugar. Sugar prices fell to such a low level that the cultivation of sugar beets in Sweden became unprofitable. As a result the beet growers in 1929 reduced their acreage in accordance with the "safety clause" permitting them to reduce acreage by 50 per cent. This decline in the beet acreage forced many beet factories to close down and increased quantities of sugar were imported. The government eventually intervened by appropriating, early in 1930, a sum of 3,800,000 kronor ($1,018,000) to be used for paying a bonus to sugar beet growers during 1930 in the form of a minimum price guarantee. The amount to be paid for beets having a sugar content of 16 per cent was to be the difference between the price paid by the factories under the term of the five-year plan and 2.45 crowns per 100 kilograms ($5.96 per short ton at par). In other words, the government guaranteed growers a price of 2.45 crowns per 100 kilos and agreed to make up the difference between what the factories paid under the terms of their contract and the officially guaranteed price. However, the bonus was only to be paid to beet growers, who for several years prior to January 1, 1930, had been signing contracts with the factories to grow beets, and who, in accordance with their contracts, grow beets on an area that was not less than 70 per cent of the contracted area. As a result of this government assistance the acreage of beets during 1930 showed a very substantial increase.

The subsidy was continued during 1931 when the government guaranteed growers a price of 2.02 kronor per 100 kilos (about 1/4 of a cent a pound at par). This subsidy, as in the previous year, was paid in the form of an additional price over the price actually paid the growers by the factories under the terms of the five-year agreement. Thus, the price paid for beets by the factories during 1931 was 1.62 crowns per 100 kilos ($3.94 per short ton at par) but the farmers received 2.02 crowns ($4.91 per short ton at par). The difference between these two prices represented the extent of the subsidy paid by the government.

(c) Sugar import monopoly - Notice of the termination of the five-year plan above discussed was given towards the close of 1931 and all negotiations between the sugar factories and the beet growers for a new agreement resulted in failure. Moreover, the Government decided that it could not continue the subsidy that had been paid during 1930 and 1931. However, a special Sugar Committee appointed by the Government recommended the establishment of a sugar import monopoly. This recommendation provided that a sugar import monopoly should be granted to the two large Swedish sugar factories, the "Svenska Sockerfabriks" and the "Mellersta Soveriges Sockerfabriks" under the condition that these factories guarantee the best growers a minimum price of 2.30 kronor per 100 kilos ($5.59 per short ton, at par, and $3.89 at the exchange rate of April 16, 1932) for sugar beets having a minimum sugar content of 16 per cent, and that the factories regulate their quotations on sugar prices to wholesalers on the basis of the world market level. The factories, however, were to be entitled to maintain a minimum price of 0.31 krona per kilo ($3.77 per 100 lbs., at par, and $2.62 at the current rate as of April 16, 1932) for "K.5" granulated sugar even if that quotation should be higher than the world market price.

The above proposal of the Sugar Committee was accepted in its entirety and was enacted into law by Parliament on February 20, 1932. The law became effective on March 1, 1932, and is to remain in force for one year. It is understood that no refined sugar whatever will be imported into Sweden during this period.

According to the new plan the sugar factories will pay a price for beets that is considerably higher than that paid on the basis of the five-year contract. Under the five-year plan (see above) the price of 100 kilos of beets containing 16 per cent sugar was to be $6\frac{1}{2}$ times the average annual wholesale cost of 1 kilo of granulated "K.5" sugar. This multiple under the new plan has been increased from $6\frac{1}{2}$ to 7 with the further provision that the legal price of beets containing 16 per cent of sugar shall not be less than 2.30 kronor per 100 kilos ($5.59 per short ton, at par, and $3.89 at the current rate as of April 16, 1932). Moreover for an increase or a decrease in the fixed prices for beets with a sugar content above or below 16 per cent. Finally, the law provides that beet-growers shall receive five kilos (11 lbs.) of sugar beet pulp, with not more than a 90.5 per cent water content, at a price of 5 ore per kilo (0.6 of a cent a pound, at par; 0.4 of a cent at current rate of exchange as of April 16, 1932) for every 100 kilos of beets delivered to the factories, instead of only four kilos (8.8 lbs.) as heretofore. Water content was not specified previously.

SWITZERLAND

Agricultural price-supporting measures in Switzerland include tariffs on imported agricultural products, import quota and licenses, special regulations guaranteeing the sale of domestic wheat at a fixed price, and aid to the tobacco growers in the way of financial assistance, conditioned upon restriction of tobacco acreage.

1. Tariffs - Since the war protective policy, particularly for agricultural products, has been emphasized in Swiss tariff legislation. A complete new schedule of customs duties went into effect on July 1, 1921. The duties on practically all commodities were materially increased at that time. On many of the agricultural products the increases amounted to more than 100 per cent. The rate on wheat, rye, oats, and barley, for example, was increased from 0.30 to 0.60 francs, per 100 kilos, i.e., from 1.58¢ to 3.15¢ per bu. on wheat, 1.47¢ to 2.94¢ per bu. on rye, 0.84¢ to 1.68¢ per bu. on oats, and from 1.26¢ to 2.52¢ per bu. on barley. The duty on flour (in receptacles of all kinds, weighing more than 5 kilos) was increased from 2.50 to 4.50 francs per 100 kilos ($0.43 to $0.77 per barrel). The duty on apples and pears was increased from 1.00 to 5.00 francs per 100 kilos (8.75¢ to 43.75¢ per 100 lbs.); on salted and smoked bacon from 14.00 to 75.00 francs per 100 kilos ($1.23 to $6.57 per 100 lbs.); on eggs from 1.00 to 15.00 francs per 100 kilos ($0.09 to $1.31 per 100 lbs.); and on butter, from 7.00 to 20.00 francs per 100 kilos ($0.61 to $1.75 per 100 lbs.).

The above serves to indicate the extent to which the tariffs were increased by the new law of July 1, 1921. For the most part these rates still remain in effect. On wheat, rye, oats, and barley the rates remain the same. In the case of wheat it is also provided that imports other than by registered dealers are subject to a surtax of $1.06 a bushel. On flour the rate is likewise unchanged; and it is provided that imports for bread-making other than those for the Grain Administration shall require a special permit and shall be subject to a surtax of $3.47 a barrel. (The entire wheat and rye trade is subject to rigid government control, as described below.). On all of the other items listed above, except butter, the rates are similarly unchanged.

On some agricultural items, however, there have been distinct rate increases since 1921. On December 18, 1930, for example, the entire tobacco schedule was revised upward. On imports from the United States of leaf tobacco (unstemmed), for cigars, the present rate is $14.01 per 100 pounds; for chewing and pipe, $31.78; for cigarettes, from $53.84 to $70.62, depending on grade. Increases have also been made in the duties on certain kinds of cheese and on butter. On January 15, 1932, the duty on hard cheese, other than "Grana", was increased from 20 to 80 francs per 100 kilos (1.75¢ to 7¢ a pound), while the duty on soft cheese remained unchanged at 20 francs per 100 kilos (1.75¢ a pound). On butter the rates have undergone a series of changes. On August 12, 1929, the duty was increased from 20 to 70 francs per 100 kilos gross (1.75¢ to 6.13¢ a pound). On September 1, 1930, it was further increased to 120 francs per 100 kilos (10.5¢ a pound). On December 23, 1931, it was increased to 180 francs per 100 kilos (15.76¢ a pound), for the period up to March 31, 1932. Meanwhile however, a decree of February 22, 1932, effective that date, reduced the duty to 150 francs per 100 kilos (13.13¢ a pound); but on March 19, 1932, the duty was restored to 180 francs per 100 kilos (15.76¢ a pound). On February 26, a decree provided that from April 1, butter could be imported only under license.

2. Import quotas and licenses. - A law dated December 23, 1931, gave the Swiss Federal Council the authority to limit importation of any commodity which it might specify, or to make such imports dependent upon a permit subject to such conditions as it might determine. The law gave the Federal Council the authority to make all imports subject to license and to make the issuance of permits subject to the payment of a duty proportional to the price and the value of the commodity. It is stated in the law itself that the purpose of the legislation is to protect national production whenever the vital interests of domestic industries are threatened, and particularly to combat unemployment. This decree is to be effective until December 31, 1932.

Several supplementary decrees have been issued in connection with this law. The only agricultural products affected by the law, up to June 15, 1932, were eggs, butter, and fresh vegetables (other than tomatoes) and fresh apples, pears and apricots in containers other than sacks, wheat, rye, oats, barley, corn, malt, sugar, and leaf tobacco. Thus far the plan in most instances has been applied in the following manner. The normal

duties of the Swiss Customs Tariff are applied to goods admitted from specified countries under license from the Swiss Ministry of Public Economy within the limits of quotas fixed for those countries by that Department. Imports not covered by licenses (i.e., in excess of the quotas) have either been subjected to customs duty at the rates fixed by supplementary decree, which are much higher than the normal tariff rate, or else have been entirely prohibited. In other words, Swiss importers, upon securing import permits, may import the products specified at the regular rates of duty until the fixed quotas for each product from a specified country have been filled. Thereafter, further imports are either entirely prohibited or they may be made contingent upon payment of the higher duties, the decision resting with the Government.

3. <u>State aid to the wheat industry</u> - The Grain Monopoly exercised by the Government of Switzerland from 1915 to 1929 for the purchase and sale of grains was repealed by a referendum on March 3, 1929. The constitutional amendment abolishing the monopoly, however, provided at the same time for the continuation of State aid to grain producers, whereby domestic growers of wheat are subsidized by the State in order that domestic production, which had been nurtured during the fourteen years of the old monopoly regime, might not be allowed to disappear in the face of competition from other countries which could produce wheat more cheaply than Switzerland. In effect, the new plan is not much different from the old Grain Monopoly. The entire plan is financed by a small tax, called a "statistical tax", on all goods imported into Switzerland.

The new Swiss grain control, effective as of July 1, 1929, provides for government purchase of wheat and rye at guaranteed prices, maintenance of grain reserves, payment of grinding subsidies, reduction of transportation charges, and support of the national milling industry. The entire scheme was only a provisional plan to remain in operation only to July 1, 1932. The administration of the scheme was placed in the hands of a State Grain Office. Under this plan the Government is required to maintain a federal reserve of grain (amounting at present to about 80,000 metric tons) which, together with the normal stocks of grain is sufficient to supply Switzerland with bread for about three months. The reserve supply is stored partly by the State and partly by the millers, who are under an obligation to preserve the grain in good condition.

Acting through agricultural cooperative societies, the Grain Office purchases home-grown grain at a guaranteed price. Under the price-guarantee provision the Federal Council each year fixes prices to be paid by the Government for domestic grain. The grain that may be purchased by the Government at fixed prices are wheat, rye, spelt, and mixtures thereof. The law specifies that the prices fixed for the domestic wheat may not be less than 380 francs per metric ton ($2.00 a bushel) or be more than 450 francs per metric ton ($2.36 a bushel). The guaranteed price of wheat is, on the average, 85 francs per metric ton (45¢ a bushel) above the price of imported wheat less customs duties, subject to the above fixed minimum and maximum range. The price of the other cereals is fixed in relation to that of wheat,

according /to their milling value. There are also variations of price according to quality, and an alteration of the basic price is made on December 1 to allow for the lower moisture-content after that date. The prices fixed for the 1931-32 domestic cereal crop were as follows: wheat, 38 francs per quintal ($2.00 a bushel); rye, 28 francs ($1.37 a bushel); mixed rye and wheat, 33 francs ($1.73 a bushel of 60 lbs.), and spelt, 28 francs ($0.98 a bushel). These prices were payable for first-class grain loaded on cars or delivered to a grain elevator or mill.

The millers are compelled to take the grain purchased by the State Grain Office. This obligation is not limited to a quota fixed on the millers' output; each miller is bound to take delivery of such amounts of grain as are allotted to him from time to time by the State Grain Office, which is responsible for ensuring the proper distribution of home-grown grain to the millers.

Growers who produced, for their own consumption, wheat, rye, spelt, maize, and (in the mountains) barley, are entitled to a special payment in respect of any such grain milled. In other words, the Federal Government gives the producer a direct subsidy or bonus, ranging from 7.50 to 12 francs per 100 kilos (from $0.66 to $1.05 per 100 lbs.) for all grain sent to flour mills to be ground for their own use. Special payments are also made in respect of seed of recognized quality and grain grown above a certain altitude. Moveover, the Government which owns the railroads, reduces the freight charges on the movement of grains to mills situated at distant points and on the movement of flour from those mills. This reduction in freight rates was made in order to maintain the distribution of milling in all parts of the country.

Millers are protected against foreign competition by the State regulation of imported flour, which affords them some compensation for the obligations imposed on them in connection with the milling and storage of grain. To this end the importation of flour, except by the Federal Government, is virtually prohibited. The old government monopoly of wheat importation, however, is abolished and millers may import without restriction except for the 3.15 cents per bushel duty and the knowledge that they must eventually absorb the entire domestic supply.

The cost of the entire scheme to the State has been estimated by the Federal Council to be about 17,800,000 francs ($3,435,000) per annum. As already stated this sum is raised by levying an additional duty on all goods entering Switzerland.

The Swiss system for the regulation of grain and the encouragement of home production has now (July, 1932) been in operation for a little more than three years. Recently, the Federal Council recommended to the Federal Assembly in Switzerland that, with some minor amendments, it should be made permanent. In its recommendations the Federal Council also suggested that the State Grain Office should be authorized to take steps to improve the storage and handling of home-grown grain. It also suggested that, in view of the reduced cost of production due to cheaper machinery and fertilizers, the minimum purchase price of wheat should be reduced from 380 to 360 francs per ton ($2.00 to $1.89 a bushel).

The report further points out that the scheme has encouraged the use of the best qualities of seed and that certain varieties of home-grown grain can now compare in quality with imported grain. By altering the scale of payments on seed and by regulating the importation of foreign grain for seed, it is hoped to reduce the number of varieties of grain grown in the country and to encourage the growth of those which give the best results in milling and baking.

To afford protection against foreign imports, the right to import flour suitable for bread-making will continue to be reserved to the State. During the three years in which the scheme has been in operation, it has been found that the safeguards for consumers of flour were insufficient and the Federal Council therefore proposes that the State shall be empowered to take such steps as may be deemed necessary to protect the interests of consumers of flour and bread. The Federal Council points out that in general the scheme has been found to work satisfactorily. It appears that every section of the community accepts the system of control and regards it as a necessary measure for the encouragement of a branch of agriculture which is considered to be vital to the State.

4. State aid to the tobacco industry - Early in 1930 the tobacco growers in Switzerland found themselves in a critical situation due to low prices and foreign competition. As a result the government came to their aid by granting a loan of approximately $620,000 to growers on condition, first, that they restrict tobacco cultivation for five years to limits determined by the Government; and second, that planters, buyers, and manufacturers organize into federations to control the cultivation and marketing of tobacco. In accordance with the Government's action the Swiss tobacco planters, buyers, and manufacturers concluded an agreement whereby the planters agree to limit their acreage and the buyers undertake to purchase the total production. Late in 1930 the domestic industry was further assisted by marked increases in the duties on imported leaf tobacco and on imported manufactured tobacco.

TURKEY

Turkey is primarily an agricultural country. The principal agricultural products of domestic growth are tobacco, cereals, cotton, dried fruits, nuts, olives, silk, wool, gums and opium. Agricultural products, principally tobacco, raisins, nuts, cotton, wool, eggs, figs, peas, beans and lentils, hides and skins and opium, constitute the bulk of the Turkish exports. Considerable quantities of sugar, coffee, wheat, vegetable oils, and rice are imported. Various legislative devices have been adopted with a view to protecting the domestic producer in the local market. Among these are tariffs, special credit facilities to wheat growers, tobacco and sugar monopolies, and a system of import quotas.

1. Tariffs - The trend in tariff legislation in Turkey since the war has been upward. The present Turkish tariff law, which came into force on October 1, 1929, levied highly protective duties and tended towards the ex-

clusion of all luxury articles. This law provided that all articles not specifically provided for in the new tariff shall be subject to an ad valorem duty of 40 per cent until such time as they are embodied into the tariff by law.

The following rates will serve to indicate the extent of the tariff protection accorded farmers in Turkey under the present tariff act. These rates are given in Turkish Pounds per 100 kilos, their equivalent in United States currency at the prevailing rate of exchange (one Turkish pound at current exchange equals 47 cents) being shown in parenthesis. Meat and meat products, ranging from 50 to 300 ($10.66 to $63.96 a 100 lbs.) depending on type of product; butter 108 ($23.02 per 100 lbs.); lard 90 ($19.19 a 100 lbs.) wheat 6.30 ($0.81 a bushel); wheat flour 9.50 ($3.97 a barrel); rice, husked and unhusked, 15 and 7.50 ($3.20 and $1.60 a 100 pounds), respectively; wool, in grease and scoured, 12 and 24 ($2.56 and $5.12 a 100 pounds), respectively; dried plums, peaches, apricots, apples and pears, 48 ($10.23 a 100 pounds); dried raisins and figs 27 ($5.76 a 100 pounds); oranges and lemons 30 ($6.40 a 100 lbs.); coffee, raw and roasted, 32 and 110 ($6.82 and $23.45 a 100 lbs.) respectively; raw cotton 15 ($3.20 a 100 lbs.); olive oil, in receptacles containing more than 10 kilos, 39 and in other containers 72 ($8.31 and $15.35 a 100 lbs.), respectively.

2. Special aid to wheat producers - The Government of Turkey has taken steps to aid domestic wheat growers in the hope of preventing a threatened collapse of the economic status of the country. Wheat is grown in every part of Turkey. The heavy wheat crop in 1931 caused domestic prices of wheat to fall to very low levels. As a result the banks which had loaned money to growers, found themselves in a very precarious situation. On the other hand farmers in order to meet their notes were threatened with the necessity of a forced sale of not only their farm products but of their entire agricultural equipment as well.

In order to avoid this catastrophe and to ease the position of the banks, the Government of Turkey, through the Agricultural Bank, granted a substantial credit as an aid to wheat farmers. This aid, however, was not to take the form of new loans direct to producers. On the contrary it will be used in the making of loans to the branch banks of the Agricultural Bank situated throughout the country. These branch banks then will accept wheat from the growers, in lieu of cash, in repayment for loans previously made. This wheat will be stored by the banks and marketed whenever the price advances. Any difference between the price at which the banks took the wheat from the farmers and the price at which they finally dispose of it, less the costs incidental to the storage, will be returned to the farmers. In this respect the measure is not essentially different from relief measures adopted in many other countries.

The credit thus made available will, therefore, go to save the solvency of those quasi-public institutions whose total assets, prior to the granting of the new credit, were frozen. The immediate advantages to the Turkish wheat growers are twofold. First, it enables them to dispose of their stocks and liquidate their debts without the sale of their implements or recourse to pri-

vate bankers who charge usurious interest rates. Second, the plan makes it possible for farmers to get the benefit of a possible advance in the market price of wheat without assuming any of the normal risks involved in the storing of grain, such, for example, as loss by deterioration, destruction by fire, floods, etc.

3. Turkish tobacco monopoly - The Government of Turkey has participated directly in a tobacco monopoly ever since 1883 when the "Regie Co-interessee de Tobacs de l'Empire Ottoman" was organized. This monopoly consisted of an agreement between an Austrian group, a German group, the Ottoman Bank and the Ottoman Government, whereby the sale of tobacco was exploited for the benefit of the participating groups.

When the new Republican Government came into power the above agreement was cancelled in favor of a Government Monopoly, effective March 1, 1925. This monopoly differs from the old Ottoman "Regie" in many ways. The "Regie" was primarily a commercial institution with but limited interest in culture or production. It bought the tobacco it found, manufactured and sold it, and took no interest in effecting an improvement in the quality of the crop. The present monopoly lays stress on the production of high quality tobacco, the control of contrabandage, and the maintenance of a rigid control over the use of tobacco in Turkey. It is charged with a wide range of duties connected with production and marketing.

The Monopoly has functioned under several laws since it was organized in 1925. The latest amendment to the Monopoly law was made on June 9, 1930. The amendment of that date provides that the importation of foreign tobacco and its manufacture and sale, as well as the purchase, manufacture and sale of native-grown tobacco, shall be exercised by the State. The planter may, however, transfer or mortgage his tobacco to a merchant if the tobacco is intended for export. The Monopoly administration closely supervises such export transactions until the product has been exported. All manufacturing of tobacco products, whether from native or imported leaf, is done by the Monopoly. As regards price-fixing, there is nothing in the Monopoly law authorizing the State to purchase tobacco from the grower at fixed prices. On the contrary purchases are made at current market prices. The retail sale of tobacco products, however, may take place only in shops established by the monopoly or in establishments licensed by it and such sales must be made at the prices fixed by the monopoly.

The law of June 9, 1930, also gives the Monopoly complete control over the cultivation of tobacco. Tobacco can be cultivated only in districts authorized by the Ministries of Finance and Economy. Any person desiring to grow tobacco must make application to the Tobacco Monopoly. From the date of his authorization to grow tobacco every activity in its cultivation and picking is closely supervised by the Monopoly and every precaution is taken to assure that the entire crop is continually under the direct control of the Monopoly. As soon as the planter gathers the crop he is under obligation to destroy the roots remaining in the field, with the exception of that allowed to go to seed. The remaining roots of these plants must be destroyed immediately after the seeds are obtained. The tobacco crop is estimated in the

field by the agents of the Monopoly. The estimates are checked and re-checked several times during the growing season. Picking and drying operations, the transfer of the tobacco from the farm to the storage houses, the periods during which those transfers must be made, and the weighing and grading of the leaves, are all rigorously supervised by the Monopoly. The planter is held responsible for any unauthorized shortage.

The Turkish Tobacco Monopoly is directed by a central office located in Istanbul. For administrative purposes its many functions are grouped under four sections. The first section includes the administrative and the agricultural or technical divisions. It is the duty of the Administrative Division, among other things, to control production and limit planting to areas suitable only for the production of the higher grades of tobacco. It is also the duty of this section to prevent illegal trading and its efforts in that direction include a check of tobacco production and movement from seed time to the ultimate consumer. This section is also responsible for close cooperation with the Turkish Customs in the control of contrabandage. The duties of the Technical Division are to improve the quality of the Turkish crop. Through it the Monopoly became one of the first institutions in Turkey to disseminate scientific knowledge for the improvement of an agricultural industry. This Division concerns itself with seed selection, disease control, drying and curing, storage, and the administration of a school for training tobacco experts. The second section is responsible for the purchase, deliveries and storage of tobacco. The third section is charged with manufacturing tobacco products. The fourth section is charged with the sale of manufactured products and this is done through an elaborate organization.

4. Turkish sugar monopoly - In order to promote and protect the domestic sugar beet industry the Government of Turkey on January 25, 1926, passed a law establishing a state monopoly for the importation of sugar and sugar products. This law provides that the right to import raw and refined sugar and all products containing sugar, such as syrup, sweetnened beverages of non-alcoholic content, candied fruit, confectionery products, etc., is reserved exclusively to the Government. The monopoly is authorized to fix the cost price of imported sugar and sugar products and to sell the same to dealers. The law also authorizes the monopoly to purchase the sugar production of domestic refineries at the same cost as imported sugar. The sale and distribution of sugar and its by-products to consumers is handled by retail merchants who must obtain their supplies from the monopoly.

5. Import quotas - By a decree effective November 15, 1931, the Turkish Government restricted the importation of a large number of commodities to specified quotas in an effort to reduce imports and equalize the trade balance. The law provided that quotas could be fixed on any imported product provided twenty days notice was given. Up to April, 1932 such quotas had been established only on manufactured products. The original law authorizing the Government to establish restrictions on imports was passed on August 1, 1931.

SOUTH AFRICA

The Union of South Africa employs a variety of governmental price-supporting measures for agricultural products. Outstanding amongst them are tariffs, special restrictions on the importations of wheat and wheat flour, a compulsory export quota for corn, and export subsidies on a long list of agricultural commodities.

1. Tariffs - Since the World War, however, South Africa has adopted a pronounced protectionist policy for local industries both agricultural and non-agricultural. As a result the duties on a long list of agricultural commodities have been revised upward in recent years. To enumerate but a few of these numerous changes: On March 26, 1930 the duty on wheat was increased from 2s.2d. to 2s.8d. per 100 pounds ($0.32 to $0.39 per bushel). On the same date the duty on wheat flour was increased from 4s.4d. to 5s.8d. ($1.05 to $1.38) per 100 pounds. The duty on dried fruits of all kinds (except dates) was also increased on that date from 2¼d. to 3d. (4.5¢ to 6¢) per pound. The duty on sugar was also increased at that time from 8s. to 12s.6d. ($1.95 to $3.04) per 100 pounds. On May 4, 1931, the duty on lard and edible meat fats was increased from 1¼d. to 2½d. (2½¢ to 5¢) per pound and on cured bacon from 3d. to 4d. (6¢ to 8¢) per pound. On March 23, 1932, the duty on cured bacon and ham was increased from 4d. to 6d. (8¢ to 12¢) per pound. On wheat and wheat flour South Africa maintains what amounts to a sliding scale duty the details of which are described below, under section 2, on wheat and wheat flour importation restrictions.

Effective October 30, 1931, an additional or primage duty of 5 per cent ad valorem was imposed on all goods imported into the Union of South Africa except wheat, wheat flour, public stores, schools and hospital furniture, and articles for the use of diplomatic agents. The purpose of this additional duty is to provide funds for the payment of an export subsidy on South African products (see section 4 below, "Export subsidies"). Moreover, the Government of the Union of South Africa on March 24, 1932, imposed a new customs surtax of 7½ per cent on the gold value of all imports, except on goods used predominantly for agricultural purposes. This surtax is in addition to the primage duty of 5 per cent ad valorem previously imposed.

On November 26, 1931, the Union of South Africa enacted an "exchange dumping" law. This law provided that an "exchange dumping duty" would be charged and collected, in addition to duties otherwise prescribed, on all goods imported from countries where the exchange value of the currency is depreciated in relation to the Union of South African currency, and from which, by reason of such depreciation, imports might be made at prices that would be detrimental to an industry in the Union. In order to prevent the possible dumping of goods from such countries into the markets of South Africa, the Minister of Finance was authorized to determine and apply (for the purpose of assessing the dumping duty) an artificial exchange rate at which the foreign currency of such countries should be computed in terms of the Union currency. The law provided that this dumping duty should be equal to "the difference between the f.o.b. cost at the port of shipment

of such goods to the importer in Union currency on the one hand, and such cost (f.o.b. cost at port of shipment) expressed in the currency of the country of export of such goods computed in terms of Union currency at the rate determined by the Minister on the other hand: provided that the dumping duty or duties levied on any goods shall collectively not exceed one half of the value of such goods for the purpose of duty as determined under Section 14 of the Customs Tariff and Excise Duties Act (No. 36) of 1925." (Quoted from Board of Trade Journal, United Kingdom, November 26, 1931). In accordance with this law "Exchange dumping duties" are being levied in South Africa on a long list of agricultural and other products from countries whose currencies are depreciated in relation to Union currency.

2. Wheat and wheat flour import restrictions - The importation of wheat into the Union of South Africa has been subject to special regulation and control by the Government since March 18, 1930. A law of that date, known as the "Wheat Importation Restriction Act, 1930", gives the Minister of Finance the authority to prohibit, control, or regulate the importation into the Union of any class of wheat. The purpose of the act is to guarantee that wheat grown in the Union of South Africa will be marketed at prices above the world market level. As means to that end, the Government imposes, in addition to the regular duty on wheat, a special duty equal to the difference between the landed cost and 11s.3d. per 100 pounds, ($1.64 per bushel). The landed cost is the cost per 100 pounds to the importer at the port of importation in the Union and includes the cost of packing, packages, landing charges, dock dues, and the customs duties otherwise payable on wheat. The ordinary duty on wheat is 2s.8d. per 100 pounds, ($0.39 per bushel) with a preferential rate 2d. lower, applicable to Canada. No wheat can be imported except under license by the Minister of Finance. Only such quantities of wheat are allowed to be imported as are imperative to the operation of the South African milling industry. In general the law is designed to confine the imports of wheat to such quantities of hard wheat as are required for blending purposes in order to produce a satisfactory flour for baking.

In their application for wheat importation permits the importers must furnish particulars regarding (a) the quantity, grade and c.i.f. prices; (b) country of origin and port of shipments; (c) port of landing and the place of destination in the Union; and (d) the purpose for which the wheat is to be used, e.g., seed or milling. In case the wheat is to be used for milling, the following additional information must be given by the miller: (a) the quantity of the same class of wheat milled by him during the three calendar years prior to his application and during the current year up to the date of his application; (b) the separate quantities of other classes of wheat milled by him during the same periods, including South African wheat; and (c) the proportions of home-grown wheat and imported wheat required for blending.

The principles of the above law applying to the importation of wheat were later extended to the importation of wheat flour and wheat meal, under the "Flour Importation Act", approved by the Governor General on April 13, 1931. Effective that date, each importer of wheat flour and meal must first obtain a permit from the Minister of Finance without which no importation

of flour can be made. The amount of flour that may be imported is determined by the normal import requirements of the previous years. The purpose of the law, of course, is to guarantee that domestic flour millers will be protected against competition from imported flour. Moreover, the duty on wheat flour is adjusted in such a way as to insure the milling of South African wheat in preference to the importation of flour. This is done by increasing the duty on flour so as to bring its landed cost to a figure at which local flour can be produced if the farmer is to receive the price for his wheat which the Government desires him to get. To this end the Government, on May 4, 1931, imposed a special additional duty on wheat flour equal to the difference between the landed cost and 18s.6d. ($4.50) per 100 pounds. The ordinary duty on wheat flour is 5s.8d. ($1.38) per 100 pounds general tariff, with a preferential rate 4d. (8¢) lower on flour from Canada.

Persons desiring to import wheat flour or meal must furnish the following information in their applications for licenses: (a) quantity, description, grade and quality and purchase price, including freight and insurance; (b) country of origin and port of shipment; (c) port of landing and place of destination; (d) the amount of flour or meal imported by the applicant during each of the three calendar years prior to his application; (e) the purpose for which the flour is to be used; and (f) if intended for blending, the proportions of Union-milled and of imported flour to be used.

3. Compulsory export quota for corn - A law designed to maintain the domestic price level for locally grown corn above the world market level went into effect in the Union of South Africa on June 5, 1931. The law, known as the "Mealie Control Act of 1931", authorized the Minister of Agriculture to prohibit, control or regulate the importation into the Union of mealies or mealie products (corn or corn products) and provided for the compulsory exportation of certain specified quantities of corn. This system amounts to dumping a surplus abroad in order to maintain prices at home, since it is by the application of a so-called "mealie export quota percentage" that the Government endeavors to maintain the local price level for corn above the world price level.

The most important provisions of this law are as follows: (1) Between June 1 and August 31 of each year the Ministry of Agriculture must announce a so-called "mealie export quota percentage" for the succeeding twelve months. This export quota percentage is derived by dividing the estimated exportable surplus for the season by the estimated total quantity (exclusive of any corn necessary for consumption by the producer and his household, his tenants or farm servants, or for feeding to his livestock or the livestock of his tenants) available for sale during the season; (2) The export quota percentage thus calculated is applied as follows: Any individual or firm purchasing or otherwise receiving in excess of 100 bags (355 bushels) of corn or its equivalent in corn products in any calendar month (either from domestic or foreign sources of supply) must export such a quantity of corn as corresponds to the official mealie export quota percentage; (3) The export proportion of each dealer's supply, thus calculated, must be exported by the holder of the corn or his agent, or through such other agencies as the Ministry of Agriculture may prescribe, within a period of twelve months or within such a longer or shorter period as may be directed by the Ministry of Agriculture; (4) Registered cooperative

societies are especially favored by this law, since they are authorized to take over the quantities of corn and corn products held for export by individuals or firms, to export such products, and to make advances against their export value. The utilization of the services of cooperatives, however, is not compulsory on the part of the holder unless specifically directed by the Ministry of Agriculture. (5) As previously indicated the Ministry of Agriculture may issue such regulations as he deems necessary in order to prohibit, control, or regulate the importation of corn or corn products into the Union of South Africa.

In accordance with the authority granted by this law the Ministry of Agriculture on August 14, 1931, announced that the export quota percentage for the season ending May 31, 1932, would be 33-1/3 per cent. This quota was expected to remove the entire surplus from the domestic market (with the exception of a small carryover which it was felt should be retained in the Union) and to keep the domestic price level above the world market level. There is normally an annual export surplus of from 20 to 25 million bushels of corn in the Union of South Africa.

4. Export subsidies - Under the so-called Export Subsidies Act of November 30, 1931, the South African Minister of Finance is authorized to pay an export subsidy on a long list of products for a period of twelve months. The law became effective for most of the products to which it is applicable on December 1, 1931, but for some products it was made retroactive for periods as far back as May 1, 1931. The subsidy in each case, however, will be paid only for a period of twelve months commencing on the dates fixed for each product, so that making the payment retroactive in some cases merely hastens the end of the benefits.

Two schedules of commodities have been established upon which subsidies will be paid. The first schedule contains a long list of primary products: angora wool, living animals, beans, peas, lentils, cereals (except wheat), cotton, flours, plants, all fresh fruits, peanuts, corn, corn products, all nuts, seeds (except lucerne), leaf tobacco, fresh vegetables, wool, mohair, tea, honey, fruit trees, vinegar, lard, preserved fruits, forest products and various minerals. No subsidy will be paid to the exporter of any of the products mentioned in Schedule I unless the claim is accompanied by the actual producer's stamped receipt for the subsidy. In other words, it is considered that the identity of the primary producer of these commodities can be preserved to the point of exportation. The exporter therefore pays the subsidy to the primary producer and claims refund of the subsidy from the Government upon submitting the producer's signed receipt for the same.

The payment of the subsidy on the commodities listed under Schedule II is made to the exporter without the necessity of submitting a producer's receipt for the same. The articles in this class are: butter, cheese, eggs, fish, dried fruits, fruit juices and syrups, hides and skins, sausage casings, various packing house offals, jams and jellies, lucerne hay, lucerne meal, lucerne seed, fresh and frozen meat, salted and cured meat, condensed milk, oil cakes, animal and vegetable fats and oils, manufactured tobacco (other than cigarettes); wines, brandy, aloes, buchu, wattle extract, whalemeal and fishmeal.

The actual amount of the subsidy has been fixed at a flat rate for some products while for others it is based on a certain percentage of the value of the goods exported. The following tabulation gives the amounts and the dates from which the subsidies will be payable, as announced in the original law and as amended by subsequent decrees.

SOUTH AFRICA: Export bounties on agricultural products, 1931-32

Commodity	Amount of subsidy a/	Effective
As provided in announcement of Dec. 22, 1931:		
Corn	6d. (12¢) per 200-lb. bag	Dec. 1, 1931
Eggs	3s.6d. (85¢) per case of 30 doz.	Aug.27, 1931
Citrus fruits	15% based on a value of £8.10s. ($42.99) per ton of 40 cu. ft.	May 1, 1931
Grapes	15% based on a value of £16 ($77.86) per ton of 40 cu. ft.	Dec. 1, 1931
Deciduous fruit	15% based on a value of £12 ($58.40) per ton of 40 cu. ft.	Dec. 1, 1931
Wool and mohair	10% ad valorem b/	July 1, 1931
Cheese	10% ad valorem b/	Aug. 5, 1931
Butter	10% ad valorem b/	Aug.12, 1931
Other agricultural products listed in Schedules I and II	10% ad valorem b/ c/	Dec. 1, 1931
Amendments provided for in subsequent decrees:		
Fresh citrus fruits	2s. (49¢) per export case	May 1, 1931
Wool and mohair	25% ad valorem b/	July 1, 1931
Eggs	4s.8d. ($1.14) per standard export case	Aug.27, 1931
Fresh and frozen meats	20% ad valorem b/	Dec. 1, 1931
Fresh grapes	20% based on a value of £16 ($77.86) per ton of 40 cu. ft.	Dec. 1, 1931
Deciduous fruit	20% based on a value of £12 ($58.40) per ton of 40 cu. ft.	Dec. 1, 1931

a/ Conversions to U. S. currency made at par, inasmuch as South Africa has not departed from the gold standard.
b/ Unless otherwise stated, the amount of the ad valorem subsidy is computed on the value of the goods exported as defined in section 41 of the South African Customs Act, 1925 (Act No. 36, 1925).
c/ The subsidy is not payable on dried beans, and hides and skins (other than furred skins) exported to the United States.

The main purpose of the export subsidies law of 1931 is said to be to reimburse primary producers of exported products for losses sustained by reason of the fact that the Union of South Africa has remained on the gold standard, while many of her export markets have abandoned it. A second purpose is to encourage exports in order that a favorable balance of trade may be restored, so that the Union Government may be successful in its efforts to maintain the gold standard. The funds for the payment of the export subsidies under this Act are derived by the imposition of a special 5 per cent ad valorem tax on practically all imports (except on goods produced or manufactured in Northern and Southern Rhodesia, Basutoland, Swaziland, Bechunaland Protectorate, South West Africa and Portuguese East Africa), as explained above under section 1 on tariffs.

5. Control of the dairy industry - A private bounty, levied against all producers of butter and not paid out of the treasury of the Union, was being paid in South Africa on the exports of butter even prior to enactment of the general export bounty law above discussed. Late in 1930 the Dairy Industry Control Act was passed. This law set up a Board with power to regulate and control the dairy industry, to grant loans to producers, to promote the consumption and exportation of dairy products, to stabilize prices, to prohibit the importation and the exportation of butter and cheese except under a system of licenses, and to determine the quantity of butter and cheese which must be exported during a given period.

Acting under the authority conferred by the Dairy Industry Control Act of 1930, the Board imposed a levy of 1d. (2¢) per pound, effective October 1, 1930, on all butter, butter substitutes (including renovated, milled, milk-blended and processed butter), and cheese, either imported into the Union of South Africa or manufactured in domestic plants. The fund created by this levy was to be used for paying a bounty on exports of butter and cheese.

The Board announced that beginning October 1, 1930, a bounty would be paid on exported butter amounting to 6d. (12¢ at par) per pound for first grade butter, 4d. (8¢) per pound for second grade, and 3d. (6¢) per pound for third grade butter. This bounty was increased on December 19, 1930, to 8d. (16¢) on first grade butter; 6d. (12¢) on second grade butter; and 4d. (8¢) on third grade butter. The announcement of the Board also provided for the payment of a bounty of 3½d. (7¢) per pound on first grade cheese, 3¼d. (6.6¢) per pound on second grade, and 3d. (6¢) per pound on third grade.

On December 1, 1931, a government notice (No. 686) announced that the bounties payable by the Dairy Industry Control Board to any person exporting butter or cheese with its permission would be as follows, the bounties being retroactive to November 15, 1931; on butter, first grade, 6½d. (13¢ at par) a pound; second grade, 5½d. (11¢); third grade, 3½d. (7.1¢); and on cheese, first grade, 4d. (8¢); second grade, 3¾d. (7.6¢); and third grade, 3d. (6¢) a pound.

The significant feature of the Dairy Industry Control Act in South Africa is that the bounty paid under its provisions is entirely chargeable to the dairy industry. The industry itself, without financial assistance from the Government, creates a fund with which to pay a bounty on export; though, in contrast to the Paterson Plan in Australia, it is to be noted

that the administration of the scheme is under public rather than private auspices. Under the new Export Subsidies Act, 1931, on the other hand, the Government itself sets up a fund by means of a special 5 per cent ad valorem tax on imports, out of which subsidies are paid on the exports of the various commodities listed, including butter and cheese. This is, of course, additional to the bounties paid under the Dairy Control Act.

In accordance with the authority granted by the Dairy Control Act of 1930, a proclamation was issued on May 29, 1931, prohibiting the importation of hard pressed cheese (such as Cheddar), sweet milk cheese of the type commonly known as Gouda, Edam cheese, and all types of processed, blended and pasteurized cheese into the Union, except under license granted by the Minister of Agriculture for such quantities and during such periods as the Minister may determine. The prohibition, however, does not apply to imports from Southern and Northern Rhodesia, Southwest Africa, the Bechuanaland Protectorate and Swaziland.

With a further view to promoting the sale of South African butter and cheese abroad on a quality basis, two regulations were issued establishing regulations for the exportation of butter and cheese. The law in regard to the exportation of cheese (No. 688) went into effect on April 24, 1931, and that in regard to the exportation of butter (No. 900) on May 29, 1931. Both laws required exporters to secure permits for exportation. These laws established official grades and standards for butter and cheese intended for export and provided complete procedure for official inspection and certification. The exact manner of packing, marketing and storage is also provided for.

The original Dairy Industry Control Act, 1930, provided that all butter and cheese factories had to export during any specified year an amount of butter or cheese equivalent to 10 per cent of their production during the preceding twelve months. In other words, if a factory produced 100,000 pounds of butter in 1931 its compulsory export quota in 1932 would be 10,000 pounds or 10 per cent. This law, however, was found to be unjust to creameries and cheese factories whose output varied from year to year. Under the old law the above mentioned creamery would be required to export 10,000 pounds of butter during 1932 regardless of the fact that its output may have dropped to 50,000 pounds.

An amendment to the original act was enacted into law on March 31, 1932, correcting this injustice by authorizing the Dairy Industry Control Board to increase or decrease the export quota of the creamery or cheese factory in the event that the output has been increased or decreased since the preceding year. In this connection the new law now specifies that "if in the opinion of the Board it is in the interests of the dairy industry that steps be taken to ensure the export of butter or cheese from the Union during any period, the Board may determine the quantity of butter or cheese which shall be exported during that period." The new law further specifies that whenever the Board has made a determination (as above provided for) it shall fix the quantity of butter or cheese which every individual owner

of a registered creamery or registered cheese factory shall be required to export or to deliver to the Board for export during such period.

The exact amount of butter or cheese which any individual creamery or factory must export "shall be that quantity of butter or cheese, as the case may be, which bears the same ratio to the total quantity of butter or cheese manufactured by such owner during the twelve calendar months last preceding the date upon which such determination is made, as the quantity of butter or cheese, as the case may be, determined by the Board bears to the total quantity of butter or cheese manufactured in all registered creameries or registered cheese factories during the said twelve calendar months." The law provides, however, that if the Board is of the opinion that the quantity of butter or cheese which any owner of a registered creamery of factory will manufacture during the twelve months succeeding the date upon which the export surplus is determined, is likely to be greater or less than the quantity manufactured by him during the twelve months preceding that date, it may increase or reduce the compulsory export quota for that particular creamery or factory.

6. Special loans and price maintenance for wool - The low prices paid for wool in South Africa have given rise to a general demand on the part of wool growers for some sort of Government aid. Thus far, however, the Government has taken no action except to provide the land and Agricultural Bank with funds for making short time loans to wool growers. The purpose of such loans is to enable growers to keep their wool off the market until prices improve. In accordance with this policy, the Land Bank has advanced one and one-half million dollars to the wool cooperatives.

Quite apart from governmental measures, South African wool brokers are attempting to maintain prices paid growers for wool in the Union. Late in 1931 the South African Wool and Mohair Brokers Council established what they considered should be the lowest prices paid by their members for wool. Minimum prices were established for each of the important grades and brokers agreed "to resist selling prices below those figures". There is no compulsion enforcing adherence to the agreement, but it was believed that the mere existence of the agreement would help to stabilize prices to growers at more satisfactory levels.

As an additional measure of relief to wool growers the Railway Administration reduced the freight rates on wool transported over the South African Railways by approximately 33-1/3 per cent, effective September 1, 1931.

7. Proposed grape acreage control - A bill recently introduced into the Parliament of the Union of South Africa provides for the control of grape acreage in that country. The bill was passed at the second reading by the legislature of the Union at the end of April, 1932, and was expected to pass the third and final reading by the end of May. Though confirmation of its enactment had not been received as this was written, the terms of the bill are so interesting and the prospect of its enactment apparently such as to warrant a brief account of its provisions.

According to this bill no more than 100 grape vines can be planted by any one planter in the Cape Province for a period of three years without a permit from the Cooperative Wine Growers Association. Such permits may be given only for replacing vineyards, or for the planting of grapes to be used as fresh fruit, raisins, sultanas, or for the making of so-called "good wine" as distinct from grapes used for the manufacture of "distilling wine". The bill also authorizes the Cooperative Wine Growers Association to fix the minimum price to be paid for grapes used for the manufacture of wine and the minimum price at which the wine itself may be sold in the Union.

In general, the purpose of the bill is to enable the association (Ko-operatiewe Wijnbouwers Vereniging van-Zuid-Afrika Beperkt), which has a monopoly of the sale of "distilling wine", to maintain its prices of this product without causing a further increase in production. The association proposes to establish a sliding scale of prices at which wine will be purchased from growers. These prices will vary according to the quality of the wine, and according to the quantities produced. The growers who contribute most will receive the lowest price.

The above bill, together with the regulations which will be imposed by the Cooperative Wine Growers Association, will make the production of surplus "distilling wine" less profitable than the production of raisins and sultanas, so that the production of dried fruit may be expected to increase while the production of wine will undoubtedly decrease. There will also be a tendency for wine grape growers to turn from the sale of wine to the production of fresh grapes for export. However, in view of the fact that export grapes must be trellised differently, pre-thinned with great care, and grown by men who are really specialists in this phase of the business, it is not likely that the new legislation will increase the production of export grapes in any marked degree.

This proposal is the outgrowth of previous enactments. Towards the end of 1917 the wine market was very depressed. The farmers decided to unite, and thus the Ko-operatiewe Wijnbouwers Vereniging van Zuid-Afrika Beperkt was formed. Over 95 per cent of the wine grape growers joined this association, and a board of directors, appointed by the members, now fixes yearly the prices for wine. The farmers, on joining, agreed not to sell their wines to any merchant who was not a member of the association, and on their part the merchants promised to buy wines only from farmers who are members. In case a member sold his wines below the minimum price or to a non-contracting merchant, he was liable to a fine of £5 ($24.33 at par) per leaguer (153.7 U. S. gallons), unless he exported his wines. Difficulties, however, arose with regard to certain ambiguous clauses in the constitution. This led to the subsequent reorganization of the association on a new basis. The wine merchants thereupon resigned as members of the association.

During the first session of Parliament in 1924, the Wine and Spirits Control Act (No. 5 of 1924) was passed, which gave the association absolute control over all wines declared by the producer as "distilling wine" whether

belonging to a member or a non-member. Under this law every wine producer in the Cape Province renders a report to the association on a certain date each year in which he lists the quantities of all wines, spirits, and brandy produced by him, and states what quantity he still holds for disposal for consumption as wine, and what quantity he still has for sale as distilling wine. Moreover, this law provided that after June 1, 1928, only spirits and brandy, kept in wood for at least three years, could be sold for consumption. The price the farmer gets for distilling wine is fixed each year by the board of directors, according to the surplus. No wine can be included in the surplus, which was not declared as distilling wine.

The law also provided that for a period of three years the association could deduct 10 shillings ($2.43) for every leaguer (153.7 U. S. gallons) of wine sold by a member, and for every amount so deducted the member would receive a share in the association. The intention was that the fund thereby created would be used by the association when necessary to deal with any surplus wine which might be on the market, the association buying these wines at a minimum price, and after they have been turned into spirits, disposing of them outside of the Union.

8. Regulation of tobacco trade - A law was enacted in South Africa during May, 1932, authorizing the Minister of Agriculture (a) to prohibit, control or regulate the importation into the Union of tobacco; (b) to fix a compulsory tobacco export quota percentage whereby the export of tobacco is regulated in accordance with the export quota percentage and (c) to prohibit the purchase from growers, the importation or the manufacture of tobacco except by properly licensed persons or organizations. The purpose of the law is to prevent tobacco prices from falling to the price level which would be obtained for tobacco exported at prices now prevailing overseas. The law is similar to the Maize Control Act, 1931, (see section 3, above) and the Dairy Industry Control Act, 1930, see section 5, above) in that it attempted to relieve the local market of the exportable surplus through fixing an export quota which must be exported, even if at a loss.

The most important feature of this law is the compulsory export quota provision. In this connection the law provides that between April 1 and September 30 in any year the Ministry of Agriculture may fix a percentage, to be known as the tobacco export quota percentage, in respect of any or every class of tobacco for the twelve months ending March 31. The Minister may fix different percentages in respect of different classes of tobacco or he may fix the percentage for only one or for specified classes of tobacco. Every tobacco trader who acquires from a grower or an importer in any particular month any tobacco of a class in respect of which an export quota percentage has been fixed, is compelled to export "such a weight of that class of tobacco as amounts to the percentage of the weight of that class of tobacco so received by him during that month which corresponds with the tobacco export quota percentage fixed in respect to that class of tobacco for the period in question". Limited quantities of imported tobacco are exempted from the quota for any year so that manufacturers will be sure of having on hand sufficient quantities of special types for blending purposes.

9. Meat price control act, 1932 - An act designed to prevent glutting of the municipal markets with livestock, thereby causing prices to collapse, was enacted at the end of May, 1932. The Law provides for the establishment of a Meat Control Board consisting of three members appointed by the Governor-General. The Chairman of this Board shall be a Government official. The second member shall be a representative of the livestock producers, and the third member a representative of the meat trade. The law provides that it shall be the duty of the Board to recommend to the Minister of Agriculture any steps calculated to promote the welfare of the meat industry and trade, with due regard to the consumers of meat.

Among the powers which the Governor-General is authorized to confer upon the Board are the following: (a) to determine the maximum numbers of slaughter cattle, sheep, and pigs, or the maximum quantities of beef, mutton, or pork, which during any period fixed by the Board, shall be lawful to be transported by rail into or out of any area defined by the Board; (b) to determine the maximum numbers of slaughter cattle, sheep, or pigs which it shall be lawful to sell or offer for sale on any day or during any period fixed by the Board. The law also authorizes the Governor-General to determine and issue a proclamation as to the highest prices at which it shall be lawful to sell (otherwise than by public auction) beef, mutton, or pork of specified grades and quality at a place or within an area defined by the proclamation. This power to fix maximum prices for meat sold other than at public auction, is intended to check any tendency on the part of meat dealers to exact exorbitant prices from the public at times when livestock supplied may be artificially limited.

UNION OF SOVIET SOCIALIST REPUBLICS (SOVIET RUSSIA) 1/

The case of the Union of Soviet Socialist Republics (usually abbreviated to U.S.S.R.), as Soviet Russia is officially known, differs fundamentally from that of other countries discussed in this report in the pervasiveness of the government intervention or control of agriculture, commerce, and industry. In the countries dealt with herein government intervention is often sporadic and usually limited in extent, affecting one or perhaps several commodities and classes of producers, but not all. In such countries intervention is usually intended to facilitate private enterprise rather than to supplant it. It is only on the fringes of the economic system that one finds it supplanting private enterprise; as, for example, when intervention is dictated by the fiscal interests of the State, as in the case of most of the tobacco monopolies, or by the interests of the producers, as in the case of the compulsory cooperative marketing pools.

The reverse is true of Russia under the Soviet regime. The Soviet State exercises a monopolistic control over the whole economic structure and resources of the country. It owns and operates the large-scale indus-

1/ Prepared by L. Volin, assistant agricultural economist, Foreign Agricultural Service Division, Bureau of Agricultural Economics, U. S. Department of Agriculture.

try, mines, power plants, railways, shipping and other means of communication. It engages in farming on its own account through the institution of State farms, and it largely controls peasant agriculture through the organization of collective farming. It has an exclusive monopoly of banking, currency, foreign trade and exchange operations. It controls the domestic channels of distribution in its capacity as a manufacturer, farmer, merchant, shipper, and banker. And by administrative measures it can suppress such private competition as still exists.

A few years ago it was still possible to speak of the coexistence in Russia of two economic systems as the outgrowth of the New Economic Policy or "Nep" 1/: the socialistically controlled, planned economy, and the competitive system of private enterprise, entrenched chiefly in retailing and agriculture. Today, however, as a result of the extensive collectivization by the Soviet authorities of the peasant agriculture which was the most important citadel of economic individualism during the years of "Nep", the "liquidation" of the prosperous peasants or Kulaki, the elimination or suppression of private trade, and the growing industrialization of the country, the socialist sector preponderates in the Soviet economic scheme, while private enterprise is relegated to an inferior plane or driven into clandestine channels.

Nevertheless the private market, however diminished or limited in scope, has never become entirely extinct. Furthermore, the very system of distribution whereby some classes of population, principally the industrial workers, are entitled to rations of such articles as bread and other essentials at fixed prices, while others, including mostly the so-called "declassed"groups, must depend on the private market with its higher prices for their supplies, makes a certain amount of private trade indispensable. Finally, the policy of the Soviet Government towards private enterprise, while unmistakably restrictive in its general attitude, must not be thought of in terms of a straight line but rather as a zigzag affair, with occasional deviation from the general course and lapses in the direction of greater liberality towards private trade. Such a turn, as will be shown later, the Soviet policy has again assumed recently.

Whatever the concessions made to private trade, however, the dominance of the Soviet State in the economic sphere remains fundamentally unaltered. The Soviet State, appearing as a monopolistic buyer and seller of most of the important commodities, and possessing also a monopoly of railway, port and credit facilities, etc., has obviously wide powers of determining or fixing prices. Nor is the process of price-fixing confined in Soviet Russia, as it is for the most part in other countries, to ex-

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1/ The New Economic Policy or "Nep", as it is known in abbreviated form, is the name given to a more liberal policy towards private enterprise which was inaugurated by the Soviet Government in 1921 and which supplanted the preceding regime of war communism. The twin basic features of the policy with which the "Nep" was originally instituted were the replacement of the requisitions of peasant produce by a tax in kind (later commuted into money) and the legalization of the free market. "Nep", however, in its subsequent development, involved a reorientation of the whole Soviet economic system. For a more detailed account, see: Russian Economic Development Since The Revolution, by Maurice Dobb (1928) Chapter V.

ceptional cases where intervention by the State to lift competitive prices or curb monopolistic excesses is deemed necessary. Rather, it runs the whole gamut of important products and services, agricultural and manufactured, imported and domestic. It is the comprehensiveness and well-nigh universal prevalence of authoritative price-fixing which is characteristic of the Soviet economy and contrasts more or less sharply with the piecemeal character of this process in other countries.

There is likewise a divergence in the ends which are served, respectively, by Soviet price-fixing and price-supporting schemes in other countries. The principal aim of the latter is the lifting of prices in the interest of the producer. The power which the Soviet Government possesses in determining prices has been used on occasion to bolster prices, as in the case of cereals in 1928. Even then, however, the Soviet authorities did not go as far in the direction of raising prices as conditions apparently warranted, since the prices in the private "free" market greatly exceeded the procuring prices, i.e., the prices paid by the Government procuring organizations to the peasants.

It may be noted parenthetically that the disparity between the private "free" market prices and procuring prices of grain was characteristic of the whole period of the Soviet commercial procuring operations as applied to grain. Undoubtedly the higher prices in the private market were an obstacle to the procuring operations; and it is probable that they were an important motive for the restriction or suppression of private grain trade. The displacement of private trading, however, led to a breach in the grain supply available for consumption with which the Government procuring machinery found it difficult to cope. As a result shortages developed which provided opportunities for profitable private trading (legal or clandestine) at higher prices, thus completing a sort of a vicious circle.

It cannot be said that there was no case for price-lifting in Russian agriculture similar to that existing in other countries. Important modifications due to the differences in the whole economic environment must, however, be recognized. Thus the familiar problem of the relation of domestic and world agricultural prices is obscured by the difficulty of stating the relation of the Russian and the world levels of prices due to the existence of a state monopoly of foreign trade and exchange, and of controlled, practically inconvertible, paper currency. The familiar problem of the disparity between the agricultural and industrial prices (or "scissors" as it is called in Russia from the analogy between the two sets of prices and the two blades of the scissors) common to practically every country of the world, is aggravated in Soviet Russia by an actual shortage of manufactured goods. In Russia, as in other countries of Eastern Europe which passed through an agrarian revolution and suffered from inflation after the war, there appeared an additional serious problem of increased economic self-sufficiency of the petty peasant farming. But this self-sufficiency was intensified in Russia by the forceful requisitions of the regime of War Communism, frequently carried over into the succeeding period of the "Nep", and was further aggravated by the ever present shortage and inferior quality of manufactured goods.

What has just been said does not necessarily mean that higher prices would not have tempted the peasant into the market; for experience indi-

cates a sensitive response on his part to price variation. In the main, however, this line of approach was not followed by the Soviet regime. Rather, the solution of the problem of increasing the commercial output of farm products (which is one of the cardinal tenets of Soviet policy) was sought through collectivization of peasant agriculture, establishment of machinery-tractor stations, development of state farming, preferential distribution of manufactured and other goods needed by the farmer, agricultural loans and tax privileges and exemptions.

The principal reasons why price-fixing in Soviet Russia has not assumed a price-lifting character, but on the contrary has tended to prevent an upward swing of prices, are three-fold. First, the Soviet State in its procuring operations is greatly concerned with safeguarding its own interest as an exporter, the interests of the consumer or certain classes of consumers who benefit from the system of rationed distribution, and the state-owned manufacturing industry, all of which interests would be unfavorably affected by higher prices of farm products. Second, the high marketing and industrial costs due to the low efficiency in marketing and in manufacturing industry form another obstacle to the increase of the price paid to the producer. Finally, the Soviet policy of intensive and speedy industrialization of a predominantly agricultural and backward country means, in the absence of any long-term borrowing from abroad, that the capital necessary for this purpose must be accumulated largely in agriculture, at least during the initial stages of the industrial expansion. This necessarily implies that agricultural prices must be relatively low as compared with industrial prices and that the phenomenon of "scissors" is more or less inevitable. For under such conditions it is largely in this manner that the transfer of capital needed for industrial reorganization must be effected. That this is realized in Soviet official circles can be seen from the following statement of a high Soviet official made at a conference called to discuss the ways of increasing the yields of crops: "It is clear that in order to industrialize our national economy, capital must be accumulated in agriculture. If we should raise the question of equivalent prices for agricultural and industrial products, it would be tantamount to the abandonment of industrialization...." (I. E. Klimenko, "The Ways of Agriculture", No. 7, page 28, 1928.

The same problem may be looked upon from another angle. A rise in the prices of agricultural products not accompanied by a corresponding increase in the supply of manufactured goods would simply have an inflationary effect. It would increase the purchasing power in terms of paper currency in the hands of the rural population without increasing the real purchasing power. The latter cannot be augmented without a rapid increase of the supply of manufactured goods of general consumption; and this is prevented by the stress laid by the policy of rapid industrialization on the use of domestic resources and imports for the development of heavy industries which manufacture producers' goods and for various capital improvements, at least during the period of the first five-year plan which is drawing to an end. It should be noted that such a problem of accumulation without a proper outlet of money purchasing power in the hands of the peasants is not a hypothetical situation but actually did occur in Soviet history.

The discussion has so far proceeded on the tacit assumption that prices in the Soviet economy play the same role in regulating economic activity as they do in the so-called capitalistic countries. This, however, is not really the case, as the price system in Soviet Russia is supplemented by direct rationing and, at bottom, is subservient to the institution of authoritative economic planning. In Russia, rationing of supplies in the face of the shortages which exist in so many lines of consumption is hardly less important in the regulation of economic activity than is price; and it serves as an important lever in the hands of the Soviet Government to control and stimulate agricultural production in accordance with its policy. It is not enough, for instance, to say that the index of the procuring prices of flax was 85 per cent above the pre-war and of cotton 37 per cent. It is equally important, in order to gain a correct picture of the situation, to add, for instance, that the procurements of flax were covered to the extent of 32 per cent by shipments of goods by the Government and of cotton to the extent of 39 per cent.

The system of rationing, which is a method of meeting shortages without raising prices to the point where they would equate supply and demand, may be used for purposes of preferential or discriminatory distribution in order to stimulate the sale of farm products by the peasant. The quantity of goods shipped into the village may be increased during the crucial period of the procuring campaign, as the Soviet Government is planning to do this year. (Socialist Agriculture, July 10, 1932). Moreover, the distribution of the deficit goods is conditioned closely upon the delivery of grain and other products to the State. a/ On the other hand, the refusal to sell to the State in quantities which are considered adequate by the authorities is penalized by the withholding of deficit goods. b/

In the cotton-growing regions where grain is the "deficit good"; the contracts which are made with the planters for the delivery (sale) of cotton to the government provide among other things for the distribution of specified quantities of grain. For the year 1932 the Government plan provided, presumably as a means of offering a greater incentive to the cotton growers, for a 10 per cent increase in the grain rations in the principal cotton-growing regions of Central Asia and Transcaucasia. Even higher rations were specified for the growers of the Egyptian cotton, a new culture in Soviet Russia, the growing of which the Soviet Government is trying to encourage.

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a/ Order of the Commissar of Trade of U.S.S.R., Economic Life, October 12, 1930.

b/ Article 32 of the general instruction for the organization and activity of Commissions attached to the village Soviets and assisting with grain procurements during the campaign 1930-31, provides as follows: "With respect to the individual peasant farmers who evade the selling of grain to the State and prefer to speculate on the market, the following means of influencing them are to be taken: persuasion (explanation); public censure; loss of the right of being supplied with deficit manufactured goods" (Economic Life, July 19, 1930).

Not only is the working of the price system supplemented by rationing of supplies in Soviet Russia, but it has been made largely subservient and ancillary to the economic planning of the Government. It is not the price (and the rate of profit which it brings) that determines what shall be produced and in what proportion. It is the Government plan. Both the acreage to be planted and the amount of output which is to be delivered to the State are determined by the plan. The plan may or may not be fully executed. It may have been faultily framed. But it is always the controlling factor. With it the producers are made to conform in regard to both the acreage sown and the delivery of the output to the State at fixed prices.

In the case of grain procurements there is a plan for every region, district and village, which the authorities must try to execute and if possible to exceed. To a considerable extent the quantities of grain which the different categories of producers [a] are supposed to deliver (sell) to the State are fixed either by contracts made before planting or by quotas. Thus the so-called "Kulaki", or prosperous peasants, are given by the authorities quotas which they must fulfill. The amounts which other individual peasant farmers are supposed to deliver to the State are governed for the most part by contracts by virtue of which they are supplied with credit, seed, manufactured goods, etc. The collectives are supposed to deliver from one-third to one-fourth of the output based on the average crop in the district, a larger share if the crop on a particular collective farm is better than average, and a smaller share if it is below average. The obligations to the State are the first charge on the collectives' grain supply.

The authorities are also supposed to secure the surplus of these various categories of producers above the quota and contractual amounts through voluntary agreements and premiums in the shape of deficit goods. Private grain trade was until recently discouraged and hindered by every means at the command of the authorities. The slogan given by the Central Committee of the Communist Party in its decree of July 15, 1931, was: "Not a single centner of grain to the private trader" (Socialist Agriculture, July 16, 1931).

A highly important modification of this policy, however, occurred in the spring of 1932. By official decrees published in the Soviet press

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a/ These, in the main, are: (1) State farms of various types which are owned and managed by the State through the various so-called "trust," such as the grain "trust" etc.; (2) collective farms, which are ostensibly producers' cooperatives composed of the previously independent peasant farmers; and (3) individual peasant farmers, who have not joined the collectives and who are again divided for purposes of taxation, procurements, etc., into (a) the more prosperous so-called "Kulaki" class, most of whom were "liquidated" in 1929-30, and (b) the so-called working (or middle and poor) peasants. In 1931, state farms and institutions accounted for 7.7 per cent of the total acreage sown to all crops; collectives, for 58.7 per cent; and individual peasant farmers, for 33.6 per cent (Statistical Abstract of U.S.S.R. for 1932, page 152.)

on May 8 and 11, the grain and meat procuring plans for 1932 were modified, calling for smaller quantities from the collectives and individual peasant farmers. The peasants were granted the permission to sell their produce on the markets or in their own stores at the prevailing competitive prices, after completing the delivery to the state of the quantities specified in the plan and providing for the necessary seed requirements. By a decree published on May 21, 1932, trade in all produce on the part of the collective farms or their members or of the individual working peasants is exempt from all local taxation, except for the actual upkeep of the markets. The income of the collectives or their members from this trade is exempt from the agricultural tax; while in the case of the individual peasants, only 30 per cent of such revenue is subject to this tax. These measures were presumably taken, partly in order to provide a greater incentive to the peasants to put forth their best efforts toward increasing output in the face of a sowing campaign which had proved unsatisfactory in certain respects, and partly in order to relieve the consumer of the chronic shortage of foodstuffs. Local authorities are forbidden to interfere with such trade and are directed to encourage it and to fight only the speculator and the middleman. Thus the Russian peasant regained a partial freedom to dispose of his produce on the free market. But the middlemen remains proscribed; and, judging from reports in the Soviet press, the habit of administrative interference on the part of local authorities is dying only slowly.

A few words now concerning some of the positive methods of Government aid to agriculture in Soviet Russia. Among these may be mentioned: machinery-tractor stations; tax exemptions and privileges; and farm loans, whether in kind (seed, etc.) or in money. Briefly the principle of the machinery-tractor station is this: A number of tractors, say 30 or 40, together with other necessary implements are assembled in one unit under the direction of a corps of experts. The station has a central depot and is supposed to be equipped with adequate repair shops and a staff of mechanics to make all the necessary repairs of the tractors and other machinery. A contract is made between the station (which is usually owned by the State or by a cooperative organization) and several collective farms embracing an area of several thousand acres, to perform all the necessary field work which can be done by tractor in exchange for the predetermined share of the crop which goes to the state. The peasants are to provide all the labor necessary except that for which special technical training is required, such as the operation of tractors. Even for these tasks the peasants are to be gradually trained. In short, a machinery-tractor station is, in its ideal form, virtually a combination of central farm-power plant, machine shop, and training school, the entire designed to serve a large farm area. There were, in May, 1931, a total of 1,228 state-owned machinery-tractor stations combined into one central organization, the so-called "Tractoroceentr". These stations had 46,794 tractors and they served over 47,000 collective farms. (Statistical Abstract of U.S.S.R. for 1932, page 139). During the past year the number of these stations has been considerably augmented. State farms which have most of

the remaining tractors in U.S.S.R. also come to the assistance of the collective farms during the period of field work.

Taxation abatements and exemptions are widely used as a means of encouraging the expansion of acreage and the growing of new crops or the extension of cultivation into new regions. Thus all the crops grown on previously uncultivated land in the collective farms and the individual peasant holdings and not classed as belonging to the Kulaki type, are exempted from taxation. Sugar beets, hemp (in the field), rice in certain regions, and several other new crops are exempted from taxation. The same applies to all the increase in the acreage over 1931 planted to fiber flax and hemp; and it applies also to cotton grown on the dry-farming land in the regions of irrigation. Cotton plantings in the new regions of cotton cultivation are exempt from taxation for five years from the date of the first sowing. Other cotton, whether in collectives or individual peasant holdings; soybeans; sunflower seed and other oil seeds; yellow tobacco; a number of other industrial and feed crops; orchards, vineyards, etc.; all are assessed in the collectives on the same basis as cereals. Flax and hemp, when taxed, are assessed at 50 per cent of the tax value of cereals. All livestock on collective farms, and any increase in the numbers of cows, oxen and sheep on the individual peasant farms as compared with 1931, are exempted from taxation. Various other tax exemptions and abatements are provided by the agricultural tax law of 1932.

Agricultural loans are also differentiated with a view to the encouragement of crop cultivation in new regions. Thus it is provided that the advances made to the cotton growers on their contracts should constitute 19 per cent of the cost of cotton in the old regions of cotton cultivation and 25 per cent in the new regions. The advances are to be larger to the growers of the new Egyptian and transplanted varieties of cotton and to those who plant on the previously uncultivated land. Furthermore, the loans must be 30 per cent larger to collectives than to the individual planters. In general, the bulk of the farm loans is made to the collective and State farms, and only an insignificant amount of the credit is extended to the individual peasant farmers.

In conclusion, it should be pointed out that the Soviet Government has an exclusive monopoly of all foreign trade including the exports and imports of agricultural products and that such trade is carried on in the light of the general objectives of its economic and financial policies; hence that there is no motive to resort to such special devices for trade control as are employed in other countries.

UNITED KINGDOM

Historically speaking, British agriculture has for nearly a century been exposed to virtually unrestricted competition from the agriculture of other parts of the world. With minor exceptions, from the repeal of the Corn Laws in the middle of the last century down to the present year (1932), neither direct nor indirect subventions were granted for the purpose of strengthening the competitive position of British farmers in the home market. In the main this is still (in July, 1932) the case; but since the advent of the present National Government in the autumn of 1931 the protectionist policy, which has gradually gone into effect, has included a number of measures in aid of branches of British agriculture previously unsheltered; while the extension of such measures to still other branches is generally expected to hinge upon the outcome of negotiations at the Imperial Conference which is in session at Ottawa as this is written. Besides a direct bounty to the home producers of sugar beets, which had already been in effect for some years, and revenue duties long imposed on tobacco, sugar, and some other agricultural products (some of these latter furnishing a basis of effective preference to other parts of the Empire), the United Kingdom, as the result of measures adopted during the last year, now levies seasonal protective duties on a wide range of horticultural products and, in addition, has set up a bounty system in aid of her wheat-growers. All of these measures, old and new, will be described below; as will another measure of great potential significance, passed by the Labor Government in 1931 - The British Agricultural Marketing Act.

1. Tariff duties - For convenience the discussion of British customs duties on agricultural products may be covered under two general heads: those in effect prior to November, 1931, and those adopted since that time. In referring to the duty rates all conversions to United States currency are made at par of exchange. As of July, 1932, sterling is depreciated by nearly 30 per cent.

(a) Duties of earlier origin - On a limited list of products of agricultural origin the United Kingdom has levied duties for many years; but they are mostly budget duties, imposed for revenue purposes, and not protective duties. They include such items as sugar, molasses, tobacco, coffee, cocoa, and chicory. More recently, dried and preserved fruits and hops have been added. Until its repeal in 1929, a duty had been long imposed on tea, and the new budget proposals for 1932-33 restore a duty on this item. Though imposed mainly for revenue purposes, all of these duties have afforded a basis for tariff preference to the Dominions, and one of them - namely sugar - is also the partial basis of protection of a young and expanding domestic beet sugar industry.

The present duty on leaf tobacco, unstripped, containing ten pounds or more of moisture per hundred pounds is 9s.6d. per pound ($2.31) and on that containing less than ten pounds of moisture per hundred pounds the duty is 10s.6d. ($2.55). The corresponding preferential rates are 7s.5½d. and 8s.2 7/8d. per pound ($1.81 and $2.16), respectively. No

tobacco is grown in the United Kingdom, but a great deal is grown in the Empire. On hops, produced both in the United Kingdom and in other parts of the Empire and dutiable since 1925, the duty is £4 per cwt. ($17.38 per 100 lbs.), with a preferential rate of £2/13s/4d. per cwt. ($11.59 per 100 lbs.). On certain dried and preserved fruits; namely, currants (on which the duty is 2s. per cwt., or 43 cents per 100 lbs.) and figs, plums, prunes, and raisins (on which the rate is 7s. per cwt., or $1.52 per 100 lbs.), duties have been imposed since 1919, but with free entry from Empire sources. On sugar, duties have been continuously levied since 1901. At present the rate on foreign sugar is 11s.8d. per cwt. ($2.54 per 100 lbs.) for sugar exceeding 98 degrees; while on Empire sugar it is 5s.10d. ($1.27 per 100 lbs.) for sugar exceeding 99 degrees and 4s.9 2/10d. per cwt. ($1.04 per 100 lbs.) for sugar between 98 and 99 degrees.

The new budget proposals for 1932-33 leave the full duty rates on sugar unchanged, and similarly those for the Dominions; but they provide for additional preferences to the Colonies, and they include also a reduction of the excise duties. As compared with the preferential rates given above, which are to continue for the Dominions, the rates proposed for the Colonies are: for sugar exceeding 99 degrees, 4s.8-2/10d. per cwt. (uncertificated) and 3s.6½d. per cwt. (certificated); for sugar exceeding 98 degrees and not exceeding 99 degrees, 3s.8-2/10d. and 2s. 7-2/10d. respectively for uncertificated and certificated. As regards excise duties, a reduction to 4s.7d. per cwt. is proposed for sugar above 99 degrees and to 3s.7-1/10d. for that between 98 and 99 degrees. The new budget proposals also provide for the re-imposition of customs and excise duties on tea as follows: full duty, 4d. (8 cents, at par) per pound; preferential rate, 2d. (4 cents) per pound; excise tax, 2d. per pound.

(b) Duties originating since October, 1931 - Acting under its new mandate, following the general election in October, 1931, the British Government has introduced a series of tariff measures culminating in the adoption of a general policy of protection. As affecting agriculture the first tariff measure was the Horticultural Products (Emergency Customs Duties Act of December 11, 1931, which is to continue in force for a period of 12 months. By this Act the Government was authorized to levy duties up to 100 per cent on certain luxury or "non-essential" fruits, vegetables, and floricultural products. The fresh fruits included were cherries, currants, gooseberries, hot-house grapes, plums, and strawberries. The vegetables listed were asparagus, green peas, broccoli, cauliflower, carrots, salad chicory, cucumbers, lettuce, mushrooms, new potatoes, tomatoes, and turnips. The floricultural products were cut flowers, flowers attached to bulbs, foliage bulbs, and rose trees.

With the exception of plums, none of these products are exported from the United States to England in significant quantities. The countries principally affected by this measure are the Netherlands, France, Belgium, Italy, Spain, the Canary Islands, and Algeria. British Empire

countries receive full preference; that is to say, free entry of these products into the British market.

Up to May, 1932, four orders had been issued under the foregoing grant of authority. On January 5, 1932, an order went into effect establishing new seasonal duties on all of the foregoing except tomatoes and, in addition, on green beans and endive. On the fresh fruits the duties, with their par equivalent in U.S. currency, are as follows: Cherries, 3d. per lb. (6¢); currants, 2d. (4¢); gooseberries, 1/2d. (1¢); grapes (hothouse), 4d. and 2d. (8¢ and 4¢), according to period specified; plums, 14s. per cwt. ($3.04 per 100 lbs.); and strawberries, 2s.6d. and 6d. per lb. (60¢ and 12¢), according to period. On fresh vegetables, the rates are: Asparagus, 1s. per lb. (24¢) and 4d. per lb. (8¢), according to period; green beans, 1-1/2d. per lb. (3¢); broccoli and cauliflowers, 4s. and 3s. per cwt. (97¢ and 73¢ per 100 lbs.), according to period; carrots, 1d. (2¢); lettuce, endive, and chicory (salad), 8s. and 6s. per cwt. ($1.74 and $1.30 per 100 lbs.), according to period; cucumbers, 12s. and 8s. per cwt. ($2.61 and $1.74 per 100 lbs.), according to period; mushrooms, 8d. per lb. (16¢); green peas, 14s. and 9s. 4d. per cwt. ($3.04 and $2.03 per 100 lbs.), according to period, new potatoes, 18s.8d., 9s.4d., and 4s.8d. per cwt., ($4.06, $2.03, and $1.01 per 100 lbs.), according to period, and turnips, 1d. (2¢) per lb. On certain specified cut flowers the duty is 2d. (4¢) per pound. On other cut flowers and flowers attached to bulbs, the duty is 9d. (18¢) per pound, and on rose trees, 30s. per 100 ($7.30). All of the foregoing rates are for limited seasons only, importation during the remainder of the year being free of duty.

A second order, dated January 21, 1932, dealt specifically with fresh tomatoes, also on a seasonal basis. From June 1 to July 31 inclusive, fresh tomatoes will bear a duty of 2d. (4¢) per pound. From August 1 to October 31 the rate will be 1d. (2¢) per pound, with free entry during the period of lightest receipts. On April 1, 1932, a third order went into effect with reference to peas, which provided that from April 1 to June 30 there should be levied on unshelled green peas a duty of 9s.4d. per cwt. (2¢ a pound) and on shelled green peas a duty of £ 1/17s/4d. per cwt. (8¢ a pound). A fourth order, effective May 1, 1932, placed a duty of 20s. ($4.87) per hundred on rose trees during the period from May 1 to December 11. As already noted, all of the above conversions to United States currency would need to be reduced by about 30 per cent to take account of current depreciation of British exchange as of July, 1932.

The foregoing has reference only to the administrative orders adopted under authority of the Horticultural Products Act of December 11, 1931. Meanwhile other tariff changes were made applying in the main to manufactured products, some of them, however, affecting also agricultural products. An Abnormal Importations Act of November 20, 1931, authorized the Government to levy duties up to 100 per cent on any articles in Class III of the Import and Export List, 1931 (articles

wholly or mainly manufactured) that the Board of Trade is satisfied are being imported into the United Kingdom in abnormal quantities; and a series of administrative orders imposing duties on such products followed. Agricultural products were, however, outside the scope of this Act.

On March 1, 1932, a general tariff act (the Import Duties Act) went into effect imposing a general tariff of 10 per cent ad valorem on all imports from sources outside the Empire, except goods already subject to import duties and certain items specifically exempted in Act. The specific exemptions in respect to agricultural products were, however, very important; so that a large part of British agriculture remained unaffected by the Act. The excepted items were: wheat; maize (corn); meats; live animals; tea; raw cotton; flax and flax tow; cotton seed, rape seed, and linseed; wool and animal hair; hides and skins; and esparto. One of these items, namely tea, is, however, made dutiable in the new budget proposals for 1932-33. On the other hand, at least one item, namely, maize, was not exempted in the bill as originally introduced but was added during debate. On this point the Government explained that the British market for maize was important to Argentina - a country with which Great Britain intended to enter into consultations with a view to concluding mutually advantageous commercial relations; and further, that a tax upon it would be especially burdensome to farmers in Northern Ireland.

Other noteworthy features of the Import Duties Act include: (1) exemption of colonial products from the general tariff, and exemption also, until after the Imperial Conference in Ottawa in July (specifically, until November 15, 1932), of imports from the Dominions; (2) authorization of the appointment of an Import Duties Advisory Committee to recommend to the Treasury, for execution by administrative order, additional duties on non-essential imports and also on "articles of a kind which are being produced or are likely to be produced in the United Kingdom in quantities which are substantial in relation to United Kingdom consumption"; (3) authorization to the Board of Trade to impose duties up to 100 per cent, in addition to existing duties, on imports from countries discriminating against British goods; and (4) granting of authority to negotiate mutual tariff concessions with foreign countries.

On April 26, 1932, in response to the recommendations of the Import Duties Advisory Committee referred to above, a tariff order went into effect increasing on most classes of manufactured and mainly manufactured goods the temporary 10 per cent general duties levied after March 1 under the Import Duties Act, to rates varying from 15 to 33-1/3 per cent, with 20 per cent as the predominant figure. At the same time the temporary 50 per cent duties levied in November and December on a limited range of duties under the Abnormal Importations Act were revoked, and lower rates (or in some instances, none at all) were substituted under the new order. All of the foregoing products originating in the British Empire (except silk hosiery and rubber tires) were to continue on the free list.

Horticultural and other articles of food were for the most part excluded from consideration in the foregoing order. The only exceptions were certain processed foods, namely: (1) fruit preserved by chemicals or artificial heat, other than fruit preserved in sugar, on which the new (total) rate was fixed at 25 per cent ad valorem; (2) vegetables (other than tomatoes) preserved in air-tight containers (not including pickles and vegetables preserved in vinegar), on which the new rate established was 20 per cent; and (3) milk, condensed, sweetened, or slightly sweetened, whole (already dutiable in the British budget prior to the enactment of the general tariff), on which somewhat complicated provision was made for a contingent, additional duty. With reference to the general subject of duties on horticultural and other food products the Import Duties Advisory Committee stated as follows:

"It will be observed that the schedule includes very few horticultural products or other articles of food. As regards horticultural products within the range of the Horticultural Products Act the existing Orders appear to us to meet the more pressing needs; and power still remains under that Act to the Ministry of Agriculture and Fisheries to deal with any emergency arising in the present year. We prefer, therefore, to postpone for a time any recommendations in regard to articles covered by this Act until we have been able to examine the situation more thoroughly.

"Food products are of outstanding importance by reason of the extent to which they enter into the cost of living; no less than 60 per cent of the Ministry of Labour cost of living index being based upon retail food prices. While we recognize the desirability of stimulating the production in this country of many food products now figuring largely in the national imports, we have to take cognizance of the action that is being taken, or is known to be in contemplation, by the Government in this direction otherwise than by way of import duties. Outside this field of action we find that in the more important cases the effect of any additional duties on the cost of living is dominated by the treatment of imports from other parts of the Empire. Under Section 4, of the Import Duties Act all imports of Empire products are exempt from the general ad valorem duty and any additional duty until the 15th November next, and the arrangements to come into force after that date in regard to products from Dominions and India will be the subject of discussion at the Ottawa Conference next July. In these circumstances, and until we can estimate the effect of our recommendations more precisely we have decided to recommend additional duties on food products only in a few cases."

2. Sanitary restrictions on imports - On many agricultural products there are sanitary restrictions or prohibitions tending to restrict imports into the United Kingdom. For example, in the interest of preventing outbreaks of foot-and-mouth disease, imports of live animals and of fresh meats from the Continent of Europe have been prohibited for several years. Early in May, 1932, the United States was removed from the list of countries to which the animal importations order of 1930 does not apply; so that the

importation into the United Kingdom of cattle, sheep, goats, and other ruminating animals from the United States, as from the other countries, is no longer permitted. Imports of potatoes from the United States, Canada, and France are prohibited on account of the Colorado potato beetle. On potatoes from other countries, seed onions, gooseberries, and tomatoes from France, on cherries from European countries, and on apples from the United States, there are seasonal or other restrictions on imports for sanitary purposes, but not complete and continuous prohibition. As regards apples from the United States the regulation specifies that in order to prevent the introduction of the apple fruit fly, the landing in England or Wales between July 7 and November 15 of apples grown in the United States is prohibited unless accompanied by a certificate of inspection certifying that the apples are "U.S. Fancy" or "U.S. No. 1", if barreled, and "Extra Fancy" or "Fancy", if boxed. While such restrictions as the foregoing are not ostensibly for price-raising purposes, it is quite possible that some of them may have such an effect.

3. Production bounty to the sugar beet industry - By the Sugar Subsidy Act of 1925 a Government subsidy was granted on "white" sugar produced from home grown sugar beets. This subsidy was to be paid over a period of ten years, beginning with the 1924-25 season. During the first four years of the Act (i.e., 1924-25 to 1927-28) the government subsidy was fixed at 19s.6d. per cwt. ($4.24 per 100 lbs., at par) for sugar showing a polarization exceeding 98 degrees. During the next three years (i.e., 1928-29 to 1930-31) the subsidy was fixed at 13s. per cwt. ($2.82 per 100 lbs.), and for the last three years (i.e., 1931-32 to 1933-34), at 6s.6d. per cwt. ($1.41 per 100 lbs.). The actual amount of the subsidy paid manufacturers by the Government depends upon the polarization of the sugar produced. In other words, the subsidy decreases by stages in polarization, proportionately lower rates being paid until sugar with a polarization not exceeding 76 degrees is reached.

In order to qualify for the receipt of the Government subsidy the beet sugar factories must maintain a minimum price of 44s. per long ton ($9.56 per short ton) for beets of 15½ per cent sugar content. In case the beets have a sugar content higher or lower than 15½ per cent the price paid to the growers is increased or decreased at the rate of 6 cents per ton for each one tenth per cent above or below 15½ per cent as the case may be.

The subsidy has greatly stimulated the British sugar-beet industry. Although given directly to manufacturers of refined sugar it is passed on indirectly to the beet grower. Between 1924 and 1930 the number of sugar beet growers increased from 4,039 to 40,415; the sugar beet acreage from 22,637 to 348,920; the number of sugar beet factories, from 3 to 18; and the output of sugar from 14,000 short tons in 1923 to 470,000 short tons in 1930. In 1922 the average price paid growers for beets was 38s. per long ton ($8.26 per short ton) delivered, while in 1930 the average price was 50s. per long ton ($10.86 per short ton).

4. Bounty to wheat-growers through minimum price guarantee; the Wheat Act of 1932 - On May 12, 1932, a unique system of price-fixing for British wheat went into effect in the United Kingdom with the enactment of the so-called Wheat Act of 1932. This Act guarantees to producers of home-grown, millable wheat a price of 10 shillings per hundred weight (about $1.30 a bushel at par of exchange) and imposes on millers and importers of flour the obligation to make "quota payments" into a special fund for maintaining the price guarantee. It is intended to provide wheat growers in the United Kingdom with a secure market at an artificial price level without involving any subsidy from the Exchequer and without encouraging the extension of wheat cultivation to land unsuitable for the crop. It provides, in effect for a bounty to the producers at the ultimate expense of British consumers of flour. It differs from a tariff in the important fact that the tax is limited to the bare sum required to pay the bounty; whereas a tariff high enough to maintain the price guarantee would require a much heavier tax, most of the benefits of which would accrue to the Exchequer in the form of customs revenues rather than to the growers of wheat. The system actually adopted is much the same as if a tariff were levied on imports of wheat and flour barely high enough to yield the revenue required for maintaining the price guarantee and as if such revenue were diverted to that special purpose. But it is in fact wholly divorced from the customs system; and (theoretically at least) no funds should flow either into or out of the Exchequer on account of it.

The system is more or less unique in other respects. Under it there is, technically speaking, no interference with the free importation of wheat into the United Kingdom. No tariff is imposed; and millers are not required to use a minimum percentage of home-grown wheat in manufacturing flour. They are left free to buy such wheats as they desire for the various brands and types of flour that they mill. Apart from the requirement to make "quota payments" into the price-guarantee fund, both the millers and the importers are free to carry on their business as previously, except for that clause of the bill which imposes upon flour millers an obligation to buy stocks of domestic millable wheat that may remain unsold during the month of June. A notable feature, also, is the limitation of the amount of wheat eligible for the price guarantee. The following paragraphs describe the more important features of the Act.

The main objective of the law, as stated, is to guarantee that the domestic crop of millable wheat will find a market at the fixed price of 10 shillings per hundredweight ($1.30 per bushel, at par). The amount of wheat to which the guaranteed price will be applicable is to be determined each year by the Ministry of Agriculture and Fisheries. As the law now stands this guarantee may not extend to more than 27,000,000 cwts. (50,400,000 bushels). Wheat growers will continue to sell their wheat on a free market at whatever price it will bring. At the end of each cereal year (July 31), however, the Wheat Commission set up under the Act is authorized to give each wheat grower a so-called "deficiency payment" equal to the difference between the average price actually obtained by growers for all of the home-grown millable wheat sold that year and the guaranteed price, minus a small deduction for

administrative expenses. These payments, to be known as "deficiency payments", are to be made from the fund provided by flour millers and importers, who will be obliged to pay into it a certain fixed sum in respect of each hundredweight of flour they deliver for consumption in the United Kingdom (See below). The price guarantee is to begin with the 1932 crop and is to remain in effect until August 1, 1935. On or before March 1, 1935, the Minister of Agriculture is required to appoint a Committee to report on the desirability of making any alteration in the fixed price. He may not alter the fixed price except upon the recommendation of this Committee and with the approval of Parliament.

As already indicated, the amount of home-grown wheat eligible for the fixed price is not unlimited. The Minister of Agriculture and Fisheries is authorized to prescribe at the beginning of each crop year (August 1), after consultation with the Wheat Commission, the quantity of home-grown millable wheat which he anticipates will be sold by registered growers during that yaar. This supply will represent the total amount of wheat to which the guaranteed price will be applicable, as long as it does not exceed 27,000,000 cwts. (50,400,000 bushels). The provision of the law limiting the applicability of the guaranteed price to a maximum of 27,000,000 cwts. (50,400,000 bushels) in any one cereal year is designed to check the extension of wheat growing to land unsuitable for the crop. It is estimated by the British Ministry of Agriculture and Fisheries that the total area of good wheat land in the United Kingdom is 1,500,000 acres from which a yield of 50,400,000 bushels of millable wheat may be expected to be available for sale (i.e., not including unmillable wheat or wheat retained for seed). The limitation of the price guarantee to 27,000,000 cwts. (50,400,000 bushels) does not mean that no more than that quantity of wheat may be grown in the United Kingdom. On the contrary growers may produce as much wheat as they desire. The price guarantee, however, will not apply to quantities sold in excess of that limit, even though the "anticipated supply" for that year may be considerably greater than 27,000,000 cwts. (50,400,000 bushels).

The law very definitely stipulates that if in any cereal year the quantity of home-grown millable wheat sold by registered growers exceeds the anticipated supply of such wheat for that year (i.e., the supply of millable wheat which the Minister of Agriculture and Fisheries anticipate will be sold by registered growers during that cereal year), each registered grower shall be entitled to receive deficiency payments for that year in respect only of that number of hundredweights which bears to the number of hundredweights of such wheat of his own growing actually sold by him in that year the same proportion as the said anticipated supply bears to the total quantity of home-grown millable wheat of their own growing sold by all registered growers in that year.

The matter will be made clearer by a concrete illustration. The Ministry of Agriculture and Fisheries announced in Order No. 469, dated June 16, 1932, that the anticipated supply of home-grown, millable wheat

during the cereal year beginning August 1, 1932, is 19,800,000 cwts. (36,960,066 bushels). This represents the quantity to which the guaranteed price will be applicable during the 1932-33 cereal year. Suppose, now, that the total quantity of home-grown millable wheat actually sold in that year should amount to 22,000,000 cwts. (41,066,740 bushels). On how many hundredweights would the individual grower be entitled to receive deficiency payments? Under the law he could receive payments only on such a quantity as bears to the quantity actually sold by him the same proportion as the anticipated supply bears to the total quantity sold by all growers. On the foregoing assumption as to total sales of home-grown millable wheat, he would be entitled to a deficiency payment on 90 per cent of his total sales of millable wheat. Thus the greater the actual total sales of millable wheat in excess of the anticipated supply eligible for the fixed price, the less will be the average amount of the deficiency payment received by the grower per hundredweight of wheat sold by him.

Next, as to the manner in which the funds required for maintaining the price guarantee are derived. As already noted, millers and importers of flour are required to make payments into a common fund for this purpose. These so-called "quota payments" are to be an amount on each hundredweight (112 pounds) of flour delivered for domestic consumption which represents as nearly as possible "a sum equal to what would have been the price deficit in respect of the quota of home-grown millable wheat used in the production of that hundredweight, if the anticipated supply of such wheat for the cereal year in which that hundredweight was delivered had been used at a uniform rate per hundredweight of flour in the production of the estimated supply of flour for that year." The factors to be used in calculating the actual amount of the quota payment are as follows: (a) the anticipated supply of domestic-grown millable wheat to be sold during the crop year; (b) the estimated price deficit (i.e., the amount of the spread between the guaranteed price and the price actually received by growers) during that crop year; and (c) the estimated supply of flour for that year (i.e., that part of the output of millers and importers of flour which will in that year be delivered and retained for consumption or use in the United Kingdom). The law then stipulates that the actual amount of the quota payment shall be that amount "which bears to the estimated price deficit the same proportion as that which the number of hundredweights in the anticipated supply of home-grown millable wheat for that year bears to the number of hundredweights in the estimated supply of flour for that year".

The meaning of the foregoing provisions can best be understood in the light of their actual application at the outset of the 1932-33 crop year. An order by the Minister of Agriculture and Fisheries, dated June 16, 1932, fixed the quota payment for the period June 19, 1932, to July 31, 1933, at 10.8 pence per cwt. (19.5 cents per 100 pounds, at par). How was this arrived at? In accordance with the provisions of the Wheat Act the Minister of Agriculture and Fisheries estimated that the average price that would be obtainable for home-grown millable wheat during the cereal year end-

ing July 31, 1933, would be 5 shillings and 9 pence per cwt. ($0.749 per bushel at par). Since the fixed price for this wheat is 10s. per cwt. ($1.30 per bushel) it follows that the anticipated price deficit for the year is 4 shillings 3 pence per cwt. ($0.554 per bushel). In an earlier order, No. 469, of June 16, 1932, the Minister of Agriculture and Fisheries had announced that the quantity of home-grown millable wheat (i.e., the supply that would be eligible for the price guarantee) which he anticipated would be sold by registered growers during the cereal year beginning August 1, 1932, had been placed at 19,800,000 cwts. (36,960,066 bushels). In further accordance with the provisions of the Wheat Act, the Minister estimated that the supply of flour to be delivered for consumption in the United Kingdom for the period beginning June 16, 1932 and ending July 31, 1933, would be 93,500,000 cwts. (10,472,000,000 pounds). Substituting, now, the actual figures called for in the last sentence (quoted) in the preceding paragraph (converted to U.S. values and measures), the amount of the quota payment per 100 pounds of flour being X, the formula is as follows:

X: $0.554 = 36,960,066 bushels : 104,720,000 (100 lb. units)

Solved, X = 19.5 cents per 100 pounds of flour delivered, which is the amount of the quota payment set by the administrative order.

Another feature of the Wheat Act is the provision that if any stocks of home-grown millable wheat remain unsold in June of any crop year, the Minister of Agriculture and Fisheries may order the Flour Millers' Corporation set up by this Act to purchase such stocks. This regulation, however, is subject to a provision limiting its operation to not more than 12½ per cent of the anticipated supply of home-grown millable wheat for that year; except that in this connection the 27,000,000 cwts. (50,400,000 bushels) set by the Act as the maximum amount eligible for the price guarantee (explained above), does not apply. As regards the price at which these compulsory purchases shall be made the law specified that it may not exceed the guaranteed price and shall be as nearly as possible the price which would, in the area to which the order relates and at the date on which the order comes into force, be obtained by a willing seller from a willing buyer for millable home-grown wheat of fair average quality.

Two organizations have been set up under the Act, the Wheat Commission and the Flour Millers Corporation. The members of both organizations are appointed by the Minister of Agriculture and Fisheries. The Wheat Commission consists of a chairman and a vice-chairman and seventeen other members. Of the seventeen other members, five represent the interests of growers of home-grown millable wheat; three, the interests of flour millers; one, the interests of flour importers; three, the interests of dealers in home-grown millable wheat; and five, the interest of consumers of flour, of whom at least one represents the interests of bread bakers. The Wheat Commission is charged with the entire administration of the Wheat Act under the general supervision of the Ministry of Agriculture and Fisheries.

The Flour Millers' Corporation consists of a chairman and four other members appointed by the Ministry of Agriculture and Fisheries. This corporation is authorized to register all flour millers who make application for that purpose. As far as can be determined the chief functions of the corporation will be to facilitate the discharge of the compulsory purchase obligations previously referred to and to collect the quota fund from millers and flour importers. The Wheat Act does not specifically lay down the functions of this corporation, but it provides that as soon as practicable after the commencement of the Act the corporation shall submit to the Ministry of Agriculture and Fisheries a draft of a scheme oroviding for its functions and for the election of the members of the corporation by the millers.

5. The British Agricultural Marketing Act 1/- This Act, passed by the British Labor Government in 1931, aims to bring the marketing of domestic agricultural products in Great Britain under social control. It does not, however, directly create any organization or make any regulations for the control of agricultural marketing. It is what is known as "an enabling measure". It legalizes certain forms of procedure by which the producers of any agricultural commodity may, under government supervision, set up an organization of their own with authority to control the marketing of that commodity. Such an organization may either have sole power of purchasing the commodity from producers or may make regulations affecting its sale by producers. Before the organization can begin to operate, however, producers must have voted in its favor by a two-thirds majority.

A few weeks after the Act was passed a new Government came into office, dominated mainly by the Conservative Party which had sharply criticized the Act. The new Government has, however, decided to make some use of the powers granted under the act, and is giving assistance both to milk producers and hog producers in preparing plans for marketing organizations. Farmers also are availing themselves of the opportunities afforded by the Act, and preparations are now under way for the marketing of hops in England and raspberries in Scotland. The proposed hops organization has already received the approval of the Government.

The Act provides that a group of producers may submit to the Government a scheme for the marketing of their product, and that if the scheme is approved by the Government there shall be a vote of the producers to decide upon the adoption of the scheme. Such schemes must, according to the Act, provide for the organization of a board, the members of which shall be elected by the oroducers, and which will have power either to purchase the whole production or to regulate its sale. Such a board may be given complete monopoly powers in regard to the marketing of the commodity concerned. It may fix prices and determine the amount of the commodity which may be sold for various purposes. Since the boards are to be elected

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1/ Prepared by H. J. Wadleigh, of the Economic Staff of the Federal Farm Board.

by the producers and will presumably act in the interests of producers as far as they are able, it is clear that safeguards are necessary to protect the interests of consumers. The Act provides for this in various ways. It makes the approval of the Government necessary before any scheme is to come into effect. It authorizes the Government to appoint a Consumers' Committee which may make complaints on any action taken by a board under the act; the Government may revoke any marketing scheme if it sees fit to do so after considering a complaint made by the Consumers' Committee. The Government is further directed to appoint arbitrators to settle any dispute arising between one or more individual producers and a marketing board. Both the provisions and the operation of all marketing schemes are therefore subject to close observation in the interests of the public and of the individual, backed by the Government's power of veto.

Since the procedures by which a scheme may become operative are fairly complicated, the general features of the marketing schemes contemplated in the act will be dealt with first, and the method of putting them into effect, together with the provisions for protecting the public interest, will be described later.

(a) Nature of marketing schemes authorized by the Act - Such schemes are intended to be, broadly speaking, for two main purposes; one is improvement in the methods of marketing, such as the grading and packing of the products; the other is surplus control. Collection of statistical data, education in cooperative marketing and research are also included.

All the activities directed toward these ends are to be performed by the board set up under each marketing scheme. As regards the constitution of the boards the act lays down only a few general principles, allowing the details to be worked out by the producers of each commodity in consultation with the Government.

The members of the board are to be elected by the "registered" producers, the method of election to be specified in the scheme. A registered producer is anyone who has applied for registration by the board, it being the duty of the board to register anyone who so applies. After the scheme has come into operation only registered producers are allowed to sell the commodity in question, subject to such exceptions as may be made in the scheme. Since any producer may become a registered producer, it is clear that the board can have no direct power to limit the number of persons selling the commodity in question; there is nothing in the act, however, to prevent it from granting certain producers special privileges such as voting powers or marketing privileges based on past production. The rights of individual producers are, however, protected by the provision in the act which directs the Minister of Agriculture to appoint arbitrators to settle any dispute between an individual producer and the board.

A person not registered as a producer can not be prevented from producing the commodity in question, but merely from selling it. Moreover, the act specifies that each scheme must provide for the exemption of certain classes of producers from registration. This is presumably intended

to apply to those, for instance, who sell directly to consumers or retailers, and whose produce does not move into wholesale trade. But while the act states that some exemptions must be made, it does not lay down any details.

There are two types of board which may be set up by a marketing scheme under the act. There is first the trading board, which would handle the commodity in question; it would have sole power to purchase from producers, and would have power to perform the various functions pertaining to marketing such as transporting, storing, insuring, and also to process food products. It could, for instance, own and operate a meat-packing plant.

The other type of board would merely regulate the marketing of the commodity without actually handling it. Such a board could, however, have power to regulate not merely the method of marketing, but also the quantities to be sold by producers, and the prices paid to them. The expenses of such a board would be met out of a levy on every unit of the product sold by producers.

(b) <u>Procedure for bringing marketing schemes into operation</u> - In the origination of schemes as well as in their operation, the initiative is to come from the producers. There are, broadly speaking, two stages in the adoption of schemes. In the first, the scheme is submitted by a group of producers to the Minister of Agriculture, who must consider complaints and may offer amendments; if and when the Minister and those who have submitted the scheme agree on its provisions, it is submitted to Parliament for approval. The second stage begins after the scheme has become legalized by the approval of Parliament; in this stage the scheme is submitted to the producers for ratification by vote, and if the vote is favorable the scheme finally comes into operation.

Since, however, the preparation of schemes would in many cases be a difficult and costly task, requiring a considerable amount of technical work, the act permits the Minister of Agriculture to appoint Agricultural Marketing Reorganization Commissions, which are to help producers in the preparation of schemes. The submission of a scheme to the Minister, however, rests entirely with the producers. A reorganization Commission may also recommend changes in an existing scheme.

When a scheme has been submitted to the Minister the latter will ascertain whether the persons who have submitted it are "substantially representative" of the producers of the commodity. If he is satisfied that they are, he must publish a notice of the submission of the scheme so as to give opportunity to all interested parties to object to its provisions. In determining whether the persons submitting the scheme are "substantially representative" of producers, the Minister of Agriculture is left to exercise his own discretion; the only limitation which the act places upon his discretion is that it directs him to take into consideration not only the number of producers represented but also the output of such producers in a recent period. And if he subsequently recommends the scheme to Parliament he must make a report as to the evidence on which he has decided that the scheme has been submitted by a representative group of persons.

After notice of submission has been given, a period of at least six weeks must be fixed during which interested parties may make objection. If there are any objections which cannot be disposed of by informal discussion between the objectors and the Minister, the latter must arrange for a public inquiry conducted at the public expense. This inquiry must be held in accordance with regulations made by the Minister and laid before Parliament, which may veto them. The Minister need not, however, arrange for a public inquiry to deal with an objection which he considers frivolous.

When the Minister has given consideration to such objections and reports of public inquiries as may have been made, he may propose a modification of the scheme to the persons who have submitted it. Each scheme must nominate a group of persons to consider such modifications. Unless a majority of the nominees agree to the modification the Minister can take no further action and the scheme therefore lapses.

If, however, agreement is reached and if the Minister is satisfied that the scheme will lead to greater efficiency in the production and marketing of the commodity, he is to submit it to Parliament. If a resolution approving the scheme is passed by both houses of Parliament, the Minister is directed to issue a formal order declaring that the scheme will come into force on a specified date. The act lays down that such an order shall be conclusive evidence that the scheme is "within the powers conferred by this Act". This means, according to a report on the Act published by the Ministry of Agriculture, that the validity of the scheme can not be questioned by the law courts. It is felt that the safeguards which the act provides against the misuse of the powers which it confers are sufficient; and that (in the words of the above-mentioned report) "it would be impracticable to set up a board with extensive powers of holding property, incurring liabilities and, perhaps, of trading, if the courts would hold at any time that the scheme and, indeed, the very existence of the board had been a nullity from the start".

Upon the issuance of the Minister's order the scheme acquires legal validity; but it does not come into full operation until it has been submitted to a vote of the registered producers. The Act lays down that a two-thirds majority of those voting shall be necessary to secure an affirmative result; this majority to be in terms both of the number and the productive capacity of those voting. The scheme is to specify the method of conducting the vote and of determining productive capacity for voting purposes.

Furthermore, if it is proved to the satisfaction of the Minister that less than half the total number of producers of the commodity have voted, the Minister is required to revoke the scheme. The scheme must provide for an interval of not less than one or more than two months during which any person may prove that less than half the producers have voted.

Before the members of a board can be elected by producers, a list of those entitled to vote will have to be prepared and other preparations

made by the board itself. In order to make this possible each scheme must name the members of the board who will hold office until the new board is elected.

(c) Financial assistance by the Government - The initial organization of the board, the preparation of a list of registered producers, and the vote on whether the scheme is to be put into effect will require expenditure on the part of the board before it can obtain any revenue from its marketing operations. In order to cover such expenditures the Government is authorized to make loans to boards without interest. Repayment is to be made from the operating revenue of the board. If, however, the result of the producer's vote does not allow the scheme to come into operation, the loan need not (and obviously could not) be repaid.

Long term loans may be made in order to provide a board with any fixed capital which it may need. The amount authorized for this purpose, however, is small, being only £150,000 ($730,000), and it is expected that boards will be mainly self-supporting financially, obtaining their capital by private loans and contributions levied from producers.

(d) Public safeguards - Since the most important interest needing to be protected under the act is that of the consumers, the act directs the Minister of Agriculture to appoint a Consumers' Committee, one member of which is to represent the consumers' cooperative movement. This committee is to report on: (1) the effect of any scheme in force on consumers of the regulated product, and (2) any complaints made to the committee as to the effect of the scheme on producers. These reports will be considered by the Committee of Investigation, which the Minister is also directed to appoint. This committee will also consider complaints from other interests as the Minister directs, and report to the Minister.

The Minister may, after considering a report from the Committee of Investigation, or on his own initiative, take action to protect the public interest by issuing an order: (1) amending the scheme; (2) revoking the scheme; or (3) directing a board to rectify any matter on which complaint has been made. In each case the Minister's order must be ratified by Parliament.

(e) Progress made thus far under the Act - Thus far no schemes have come into operation, but preparations have been made in the case of several commodities. Two schemes were submitted to the Government in the first half of this year. One of these is for the marketing of raspberries, and applies to Scotland; the other is for the marketing of hops, and applies to England. The hops scheme has been approved by Parliament (as announced by the Minister of Agriculture on July 7, 1932) and now awaits a vote of the producers. At least three other schemes are in preparation; namely, a milk scheme for Scotland, a milk scheme for England and Wales, and a hog scheme for Great Britain. The last two schemes are being prepared by Reorganization Commissions which the Ministry of Agriculture recently appointed.

The Hops Scheme, which is the only one on which details are accessible as this is written, has some special provisions which are particularly interesting. A quota is to be fixed, for each producer, of the hops delivered by him to the board. A producer's sales are not, however, limited to the amount of the quota, but quota hops will receive preferential treatment, and nonquota hops be sold only in so far as there is a market for them after all the quota hops have been sold. The quotas are to be based on the amount of hops grown and picked on each producer's land in the preceding season, allowance being made as follows for cases in which the crop was damaged: If so much of a producer's land as was under crops was cultivated with reasonable skill and care, but the crop was reduced by any such cause as pest, flood or unfavorable weather, that producer's quota shall be based on an amount of crops equal to two-thirds of that which would, in the opinion of the Board, have been produced and picked in the absence of that cause.

The Board is empowered not only to perform the various functions which are ordinarily performed in the course of marketing, but also, if it can not sell the crops in its possession within a reasonable time, to destroy them or render them unfit for brewing. The Board may thus exercise very wide powers to control and limit supplies.

URUGUAY

Agricultural price-supporting and relief measures in Uruguay include governmental purchase of wheat at a fixed price, governmental operation of a meat packing plant, exemptions from fees on the part of government-operated port facilities, tariff duties on agricultural imports, and reductions or exemptions in the revenue export duties levied on agricultural products. Uruguay is primarily a grazing country, most of her income being derived from her pastoral industry. About 85 per cent of her exports are animal products, including beef and mutton (frozen, chilled, and canned), wool, and hides and skins. Another 10 per cent of her exports includes wheat, wheat flour, linseed, corn, feedstuffs, and other agricultural products. On the other hand, only about one-sixth of her imports are agricultural, the chief article being sugar, with potatoes, olive oil, and yerba mate following.

1. Government intervention and price-fixing in the wheat industry - Since August, 1929, the Uruguayan government has several times come to the assistance of the wheat farmers by direct purchases of wheat. The most recent instance was in December, 1931, when the Administrative Council once more authorized the purchase of wheat directly from the individual farmer. Under the authority of a law enacted in February, 1930, which is still in effect, the Council ordered the purchase of 10,000 metric tons (about 367,000 bushels) of wheat from the new harvest at a price of 5 pesos per hundred kilos (62¢ a bu., based on exchange as of December, 1931, when the peso was worth 44.55 cents), with the stipulation that no more than 367 bushels should be purchased from each farmer. The purpose of this action was to protect the farmers against the decline in price which usually follows the first heavy shipments to market and to assure them of an immediate cash return for at least a part of their crop.

(a) Earlier legislation: The Act of 1929 - An earlier measure had been of a somewhat different nature. A law of August 6, 1929 authorized the National Administrative Council to purchase up to 30,000 tons of wheat of the then current crop at a price of 4.5 pesos per 100 kilos ($1.21 a bu.) based on exchange as of August, 1929, when the peso was worth 98.57 cents), provided that the wheat was of the export type, having a minimum test weight of 78 kilos per hectoliter (60.6 lbs. per bu.), and was destined for exportation or for sale to mills. The Government was not to export wheat purchased under this law until after the end of the year, 1929. Growers who had sold their wheat prior to July 1, 1929, were given a bounty to compensate them for having received less than the stipulated 4.5 pesos ($1.21 a bu.). The law did not definitely fix the amount of their compensation, but stipulated that this should be determined by the size of the grower's 1928-29 wheat crop. Six-tenths of a peso per 100 kilos (16¢ a bu. at exchange as of Aug. 1929) would be paid if the crop were less than 10,000 kilos; 0.50 peso (13¢ a bu.) if between 10,000 and 20,000 kilos; 0.40 peso (11¢ a bu.) if between 20,000 and 30,000 kilos; or 0.30 peso (8¢ a bu.) if between 30,000 and 40,000 kilos. Provision was subsequently made for the larger producers, a bounty of 0.20 peso per 100 kilos (5.4¢ a bu.) being provided when the production of the seller exceeded 40,000 kilos (1,470 bushels). In order to collect their bounties growers had to submit reliable evidence to the effect that they had sold all or part of their crop before July 1, 1929. For the payment of the bounties, the Bank of the Republic designated various local Rural Societies or Commissions to prepare lists of eligible growers in their given zones. Then the Bank delivered the necessary money to the local Society, which in turn made the disbursements to the grower.

(b) The Wheat Purchase Act of 1930 - Within the ensuing year this temporary measure was replaced by a permanent one which is still in effect. On February 7, 1930, the National Congress of Uruguay passed the Wheat Purchase Act authorizing the National Administrative Council to purchase directly from the farmers the surplus wheat intended either for export or for domestic mill consumption. This authority was made valid for a period of five years. For the crop year 1929-30 a price of 5 pesos per 100 kilos ($1.21 a bu. converted to U.S. currency as of February, 1930, when the peso was worth 88.97 cents) at the seaboard was fixed for wheat of export type having a test weight of 78 kilos per hectoliter (60.6 lbs. per bu.), with inland prices adjusted to this basis. Purchase prices in the future were to be fixed by the Congress each year with the assistance of a cost-finding committee.

The actual purchase and sale of wheat under the present law is intrusted to the Official Seeds Commission. Farmers desiring to sell wheat to the State must make offers to the Commission, or to the Departmental Councils of Administration or the Auxiliary Councils, which in turn transmit the offers to the Commission in the same order as received. The Official Seeds Commission must likewise give consideration to the offers in the same order as they are received. The National Administrative Council may set a limit to the amount of wheat purchases authorized, as it

did in December, 1931. When the authorized quota of purchases has been exhausted, farmers' offers of wheat can no longer be accepted, but such offers must be given prior consideration by the Commission during the next crop-year. Payment for the wheat is made through the regional branches of the Bank of the Republic.

The Wheat Purchase Act also provides for the payment of bounties on export flour amounting to at least half a peso per kilo (40¢ a barrel at exchange as of Feb. 1930) when the flour is ground from legal price wheat. If the international price of wheat (Buenos Aires market quotations) is less than the Uruguayan legal price, the National Administrative Council must grant an additional bounty representing the difference between this minimum price and the international quotation. A supplementary decree issued in March, 1930, by the Council limited the amount of export flour on which bounties would be paid to 25,000 tons annually.

In order to prevent the inflow of wheat from the lower priced world markets, import restrictions were set up. On January 24, 1931, the National Administrative Council issued a decree prohibiting the importation of foreign wheat so long as the price of native wheat in domestic markets was below the Uruguayan fixed price.

Included in the Wheat Purchase Act of 1930 was another measure for aiding agriculture, one designed to reduce the cost of growing wheat and other farm products rather than to increase prices received by the farmer. This authorized the National Administrative Council to deliver to the Institute of Industrial Chemistry a maximum of 50,000 pesos ($44,485 at exchange as of Feb. 1930) to reduce the price of superphosphates by 10 pesos ($8.90) a ton.

2. Aid to farmers by government enterprises - Uruguay has nationalized several of her industries. Such enterprises include meat packing, insurance, the operation of railways, electric power facilities, and port services, and the manufacture of chemicals and industrial alcohol. Some of these have a direct bearing on the interests of the farmers.

At the close of 1931 the Government was operating a National meat packing plant and, according to reports, was paying slightly higher prices for cattle than the American "frigorificos", which handle a major portion of the trade. Pending the construction of its own plant, the Government rented private facilities having a capacity of 1,500 cattle and 5,000 sheep per 8-hour day. Operations, begun in July, 1929, were at first restricted to the slaughter of cattle and sheep for home consumption, but towards the end of 1929 were extended to include the export of chilled meat. The plant is operated by the Board of the National Frigorifico, which is an autonomous body, collecting its own revenues, controlling its own expenditures, and taking whatever steps of expansion or retrenchment it deems wise. The members are appointed for four-year terms by the elective National Administrative Council and are responsible only to the Council. The Board members and employees share in the profits according to their rank and length of service.

The Government of Uruguay also operates the port services, as well as some 600 miles of secondary rail lines. Ever since October, 1928, cereals and cereal by-products exported from Uruguay have been exempt from slingage fees and cranage charges. Wheat, oats, barley, rye, corn, canary seed, and rapeseed have benefited by this exemption.

Indirect aid tending to stabilize agricultural prices is furnished by the National Insurance Bank, which is said to be the oldest and most profitable state monopoly of Uruguay. During 1931 it was reported that $500,000 was distributed among holders of frost-insurance policies after a late cold wave. This action was credited with having averted economic failure for scores of farmers.

3. Tariffs - Uruguay imposes high rates of duty on the importation of a wide variety of agricultural commodities. However, the duties on the most important products of Uruguay are more or less nominal so far as any price raising effect is concerned, inasmuch as these products are on a net export basis. The following are examples: wool, unwashed, 45 per cent ad valorem, on c.i.f. basis; frozen or chilled beef, 65 per cent; bacon and pork, 6.4 cents a pound; ham and shoulders, 11.5 cents a pound; lard, 5.9 cents a pound; wheat, 26 cents a bushel gross weight plus 14 per cent ad valorem, on c.i.f. basis; linseed cake, 45 per cent ad valorem, on c.i.f. basis. (Conversions approximately at current exchange rate of April, 1932).

High duties are also levied on some Uruguayan agricultural products which are on an import basis. Noteworthy in this category are oranges, 2.7 cents a pound, gross weight; apples, 5 cents a pound, gross weight; canned peaches and pears, 20 cents a pound, gross weight; and potatoes, 59 cents a hundred pounds. A decree of October 22, 1931, placed an additional duty of 50 cents a hundred pounds on potatoes to apply during the Uruguayan crop season. A similar seasonal import tax was made applicable to fresh fruits by the same decree, a surtax of 40 per cent of the official valuation of plums, peaches, pears, and grapes being levied during their respective marketing seasons.

Of some agricultural products whose importation is heavily taxed Uruguay has little or no production. These include such items as sugar, on which the duty is 1.4 cents a pound, gross weight; leaf tobacco, on which the rate is 11¼ cents a pound, gross weight (Virginia type in single containers); and cotton, with a rate of $1.30 a bale of 500 pounds.

These high rates are the culmination of earlier increases in the import tariff of Uruguay. On August 1, 1931, legislation complementary to the extension of the 1930 budget authorized the President to apply after two months' notice, import duties of 48 per cent plus surtaxes of 14 per cent to all importations when it was shown that similar articles were produced in Uruguay. In the interim until such increases could become effective the Government passed an emergency measure prohibiting for one month the importation of a wide range of products, among which were meats, milk

products and vegetables. When the month ended, the import prohibitions were replaced by increased import duties on the same products, the increases amounting to one-half the existing duties and surtaxes. A decree effective November 15 specified the goods on which the 48 per cent duty would apply, including certain foodstuffs. On October 10, 1931, another law became effective providing for the collection, in gold, of 25 per cent of the import duties on most products, in order to offset the effect of the depreciating peso. At the rates of exchange which were current at the close of 1931, this requirement was equivalent to an increase of almost one third in the rates of duty.

In connection with the tariff it must also be noted that both high duties and import prohibitions have been resorted to as part of the plan to bolster the price of wheat, as discussed above.

4. <u>Exemption of specified products from export duties</u> - One source of revenue in Uruguay is the export duty. The export duty imposed on Uruguayan washed wool is 4 per cent of an official valuation fixed every three months. During the period November 1, 1931, to January 31, 1932, this levy amounted to about 0.8 cent a pound at par, or on the basis of recent exchange value of the peso, about a third of a cent a pound. On October 22, 1931, the Uruguayan wool market was relieved of this burden on price by a law reestablishing a law of 1923 under which one million kilos (2.2 million pounds) of washed wool annually was exempt from the export duty. The new law increases the amount exempted to 2 million kilos (4.4 million pounds) annually until December 24, 1939. Earlier legislation dated December, 1929, had provided that cereals and cereal by-products should on exportation be exempt from all imposts, taxes, customs duties, and export patents. On September 12, 1930, a resolution of the National Council of Administration of Uruguay provided that canary seed, rapeseed, oats, barley, rye and corn should be included under this legislation.

YUGOSLAVIA

Yugoslavia offers one of the best illustrations of thorough-going experimentation in the realm of governmental price-bolstering as applied to an export crop. The state wheat (and rye) monopoly, which is exercised through the agency of the Privileged Export Company, maintained until very recently practically complete control over the marketing of wheat and rye. Other important phases of the government policy in aid of agriculture include monopolistic control, dating from 1880, over the whole tobacco industry from production to merchandizing; restriction of imports by means of the tariff and other devices; and negotiation of commercial treaties for securing trade and tariff preferences for agricultural exports. Other price supporting measures of lesser importance have included the establishment of price stabilization machinery which may be utilized for any agricultural product, machinery for controlling the exportation of livestock and livestock products, and reduced freight charges on grains moving to export. Agriculture is by far the most important industry of the country. The principal crops are wheat and corn, and the

principal agricultural area is that of Voivodina, which produces mostly wheat and corn. Other important products of Yugoslavia are grapes, hemp, potatoes, livestock, and livestock products. The most important agricultural exports are wheat, corn, livestock, eggs, and meat; and the only agricultural product imported in considerable quantity is cotton.

1. Monopolistic control of the wheat (and rye) trade by the government - During the crop years 1930-31 and 1931-32, the Yugoslav Government actively intervened to secure for the wheat growers prices above world parity. From partial control over the wheat trade inaugurated in May, 1930, government intervention evolved into complete monopolistic control lasting from June 27, 1931, to March 31, 1932, after which date it reverted to partial control. From the end of June to September 5, 1931, a specially created government agency (known as the Privileged Export Company) made unlimited purchases of wheat at high prices, but did not have a complete selling monopoly. On September 5 to October 29, 1931, it was given a complete monopoly of the sale of wheat in Yugoslavia and from September to October 29, 1931, it actually maintained this monopoly. But from October 29 to March 31, 1932, while it continued to pay fixed prices to the growers and to set a monopoly price for all wheat sold, the Privileged Company applied a somewhat more flexible system of selling whereby the actual marketing of the grain was in the main left to private agencies.

During the period of government monopoly from June, 1931, to March, 1932, the government controlled both internal and external trade; fixed the prices paid to the growers much higher than world market prices; and sold wheat to the domestic mills at prices fixed at a point intended to be high enough to compensate for any loss suffered on such portion of the crop as was exported and for the artificially bolstered prices to the growers. But even the complete monopolistic control proved unsuccessful, the government agency finding it almost impossible to dispose of its high cost purchases of wheat at prices high enough to cover the original disbursements. At the close of the 1931-32 crop year a new law went into effect abolishing the government monopoly in internal trade of cereals, but retaining for the government the monopoly in the external (export and import) trade in wheat, rye, and wheat flour, and imposing a tax on milling to cover the losses sustained therein. The situation now is similar to that of 1930-31, the government agency lifting the exportable surplus from the domestic market and dumping it abroad, with the difference that a special tax is provided as a source of revenue to make up for the losses incurred in the export market.

(a) Control of the export surplus, 1930-31 - The development of the present system of control goes back to the formation of the Privileged Export Company on May 15, 1930, with a capital of about a quarter of a million dollars, ninety per cent of which was subscribed by the Government (see section below on machinery for stabilization of agricultural prices). This concern was empowered to purchase directly from the producer "in extraordinary cases and when directed by national economic interests" in

order to maintain domestic prices. During the 1930-31 crop year the Government authorized the Privileged Export Company to buy up all the domestic wheat offered to it, at prices materially above the world price level. The Privileged Company thus secured a corner on the Yugoslav crop. By the end of 1930 practically all of the country's surplus of wheat had been exported by the Privileged Company. The losses sustained on these export transactions were covered by the Government in a special appropriation. Prices within the country during the remainder of the 1930-31 season were maintained by raising the import duty on wheat and flour to a prohibitive level.

(b) <u>Complete monopolistic control of internal and external trade, 1931-32</u> - The success of the Privileged Export Company during the 1930-31 season in maintaining prices to domestic producers materially above the world market level led the Government in 1931 to establish a Government Monopoly for the import and export of wheat, rye, and wheat flour. A law enacted on June 27, 1931, gave the State the exclusive right to import and export wheat, rye, and wheat flour, thus taking the foreign trade in these items completely out of the hands of private dealers. The same Act also authorized the Minister of Commerce and Industries to formulate such other regulations as might be necessary for the successful execution of the intent and purpose of the law, and in July he issued a decree prohibiting any person or organization except agencies of the State from purchasing wheat in the Voivodina. This large district in northeastern Yugoslavia not only produces the best quality wheat grown in the country but also the bulk of the commercial crop. Thus, ostensibly at least, the Government obtained in addition to its monopoly of the foreign trade, a monopoly of the bulk of the commercial wheat crop of the country.

At the beginning of the 1931-32 season the Government announced to farmers that the Privileged Export Company would purchase all of the native wheat of the 1931 crop offered to it at prices materially above prevailing market prices. These prices were fixed at from 160 to 175 dinars per quintal (77 to 84 cents per bushel), depending upon grade and type. The willingness with which farmers availed themselves of these prices is evidenced by the fact that deliveries to the cooperatives and warehouses for resale to the Government amounted to over 20,000,000 bushels by September 1. Only a little over a fourth of this amount was exported by the Government up to September 1. The remaining portion was still being held by the cooperatives and merchants for delivery to the Privileged Company as soon as a market could be found for it at prices which would not incur too heavy a loss to the Government. Of that portion of the crop exported by the Government up to September 1 only about two-thirds was actually sold, the remainder having been shipped abroad on consignment.

The Government estimated at the time domestic prices were fixed that the probable losses on the quantities of wheat exported would average around 70 dinars per quintal (34¢ a bushel). Because of the very low prices prevailing in the export market during July and August, however, the losses on the quantities actually sold abroad up to September 1 averaged around 110 dinars per quintal (53¢ a bushel). Meanwhile the expectations of the Government with reference to profits on sales of Voivodina wheat to the domestic mills

were not being realized. The Government had hoped to recoup a considerable part of the anticipated losses on sales in the export market by the profits made on these internal sales. The quality of the wheat produced outside the Voivodina in 1931, however, was much better than normal, so that the mills were able to secure fairly good wheat at prices materially lower than the Government price for the Voivodina product. As a result the Government was forced to export, at a heavy loss, a larger portion of the Voivodina crop than it had expected. In these circumstances the Government found it necessary to take additional steps to minimize its losses. Accordingly, a decree was issued on September 5, 1931, providing that thereafter the Privileged Company alone should have the legal right to sell wheat to the mills. This decree constituted the third and final step in giving the Government a complete monopoly of the entire wheat crop of the country.

The following details concerning the operations of the monopoly regime at its peak indicate forcefully the extent of the monopolistic powers with which the Government had endowed itself. In the first place all prices paid to the farmers for wheat of merchantable quality ranged from 160 to 175 dinars per quintal (77¢ to 84¢ a bushel), varying in accordance with the type and quality of the product. Proportionately higher prices were to be paid on wheat delivered later in the season, such prices being based on the original fixed prices plus carrying charges. This was done in order to encourage merchants and cooperatives to carry wheat through the season instead of making all deliveries to the Privileged Company immediately after harvest. In actual practice most of the purchases by the Privileged Company were made from cooperative societies and merchants, to which a commission of five dinars per quintal (2.4 cents per bushel) above the fixed prices was paid by the Company. When buying direct from farmers the Privileged Export Company paid only the fixed prices, but when buying from the cooperative and the merchants it paid the fixed price plus an additional five dinars per quintal (2.4 cents per bushel).

The new regulations required that all of the wheat offered to the Privileged Export Company by producers or by cooperatives and merchants must be of the 1931 harvest. It must be clean, free from disease or parasites, and must not be mouldy or smutty, thus making it of sufficiently high quality to be readily marketable. It must also be delivered into railway cars or barges and must meet specified requirements as to weight per bushel. If the wheat delivered to the cooperatives and the merchants by the farmers was lighter than the prescribed hectoliter weight, or if it had more than the prescribed amount of foreign matter, the buyers were authorized in paying for the wheat to deduct from the quantity delivered one kilogram (2.2 pounds) per 100 kilograms (220 pounds) for every degree that the wheat fell below the specified hectoliter weight or for each additional per cent of foreign matter above the specified amount. This threw the burden of delivering merchantable wheat on the producers. If a farmer's wheat did not conform to the Government standards of quality it could be accepted by the cooperatives or merchants in their warehouses at a price equal to the fixed price less the standard reductions above mentioned and less the expense of reconditioning. The Privileged Company itself was not to accept wheat that did not conform to the Government's standards of quality.

The price of the wheat which the Privileged Company sold to the mills was considerably higher than the prices paid to the producer, as is indicated in the two tables which follow. Moreover, the prices to the millers were to be increased from month to month throughout the season. This would force millers to take up the present supply of wheat held by the Government in order to avoid paying higher prices as the season advanced. The profit thus made by the Government was to be used to offset the losses on the portion of the crop sold in the export market.

YUGOSLAVIA: Fixed prices paid for wheat to producers by cooperatives or merchants buying for re-sale to the Privileged Company, September 5, 1931 to March 31, 1932.

Trade name or area in which the wheat is produced a/	Hectoliter weight	Foreign matter	Price per quintal	Weight per bushel	Price per bushel
For wheat loaded into barges	Kilograms	Per cent	Dinars	Pounds	Dollars
Tisza I. (Backo Gradiste)	80	1	175	62	0.87
Tisza II. (Zabalj-Titel)	80	1	173	62	.86
Begej	80	2	172	62	.85
Banat	79	2	170	61	.83
Backa	79	2	169	61	.82
Tisza Canal wheat up to Kula..	80	2	172	62	.85
Danube Canal wheat up to Cavenka	79	2	168	61	.82
Serbian Danube	77	3	165	60	.79
Srem	78	2	165	61	.80
Serbia-Sava, Bosnia-Sava......	77	3	164	60	.78
Canal King Alexander I., from Lali Stapar to Novi.....	79	2	166	61	.81
Baranja	79	2	169	61	.82
For wheat loaded in railway cars					
Upper Backa	80	1	170	62	.84
Somber and Lower Backa	79	2	165	61	.80
Banat	79	2	165	61	.80
Main line Serbia to Cuyrija...	77	3	160	60	.77
Main line from Paracin on south	77	3	160	60	.77
Kumanovo	77	3	160	60	.77
Kosovo	75	4	160	58	.74
Srem, Slavonia and Crostia ...	78	2	160	61	.78
On all unmentioned railway stations of Bosna and Serbia:	77	3	160	60	.77
Baranja	79	2	165	61	.80
Slovenia, Medjumurje, Prekomurje	77	2	160	60	.77
Bosna	77	3	160	60	.77
Serbia, local railways	77	3	160	60	.77
Slavonia, private railways....	78	2	160	61	.78

a/ In Yugoslavia, wheat is sold under trade names derived from the names of producing areas. These indicate roughly the type and quality of wheat sold.

WHEAT: Price per bushel to Yugoslav millers for the three most important grades of wheat sold by the Government Monopoly. September to December, 1931.

Trade name or origin	Use	Month of delivery Sept.	Oct.	Nov.	Dec.
		Cents	Cents	Cents	Cents
Tisza I ...	mixing with soft wheat	115.0	119.7	124.5	129.3
Backa	gives a good bread without being mixed (can also be used for mixing with soft wheat)	109.2	114.0	118.8	123.6
Srem-Serbia	soft wheat, must be mixed with hard ...	105.4	110.2	115.0	119.7

The increase in wheat prices to mills was in turn reflected in higher bread prices, and in order to insure that the prices of bread would be in proportion with the prices of wheat, a Government regulation was put into force by the Ministry of Commerce and Industry on September 11, 1931 which fixed the price of white bread at 3.19 cents per pound and the price of dark bread at 2.0 cents per pound. These prices were about 0.4 cent higher than those which prevailed before the monopoly control was established.

The monopolistic position of the Government was reinforced by provisions of the law requiring all mills to submit records to the Privileged Company showing their daily milling activities and the prices at which they sold flour for domestic consumption. If mills or flour merchants sold flour at prices not in accord with the prices fixed for domestic wheat, the Minister of Commerce and Industry was authorized to fix standard prices for flour sold within the country. Furthermore the Government imposed regulations with respect to the type of wheat which might be milled in a particular region. Commercial mills situated in the Voivodina, for example, could not grind Banat and Backa (Voivodina) wheat in excess of 40 per cent of their total grindings. The remaining 60 per cent had to consist of wheat produced in other regions of the country. Commercial mills in other regions of the country could not grind Banat and Backa wheat in excess of 25 per cent of their total grinding. The remaining 75 per cent had to be wheat from regions other than Banat and Backa. These latter regulations were designed to bring about a general improvement in the quality of the flour and to make its price somewhat more uniform. Thus the mills which previously had ground only the low grade wheat produced in their immediate vicinity were compelled to secure a part of their grinding requirements from districts producing the better grades of wheat.

But the complete monopolistic control with its ever increasing complications was doomed to a brief existence. On October 29, 1931,

the Privileged Export Company, which, it will be recalled, is the agency through which all government operations in the grain trade are carried out, relinquished some of its control over the domestic trade to the normal private agencies of commerce. Under date of October 29, 1931, the Company issued instructions regarding the sale of wheat in Yugoslavia, delegating some of its legal authority to merchants and cooperatives. They also could deliver wheat directly to the mills and other consumers within the country. But when they did so they were permitted to receive no more than 160 to 180 dinars per quintal (77 to 87¢ a bushel) notwithstanding the fact that the Privileged Export Company received from 225 to 250 dinars per quintal ($1.08 to $1.20 a bushel). The difference between the lower and the higher set of prices, amounting to about 30 cents a bushel, was to be paid by the mill directly to the Privileged Export Company. It soon transpired that in taking this step the Company had relinquished control over the domestic trade in wheat. The sales by the Company fell off sharply, as was to be expected with the inauguration of the more liberal policy; but on the other hand there was no corresponding increase in the reports of sales made by merchants and cooperatives. It was said that sales by private agencies to mills did in fact increase but that these sales were not reported to the government. Irregular practices in making sales appeared in the grain trade whereby payment of the levy to the government was avoided. As a result of the wholesale evasion of its instructions, the government agency found itself unable to dispose of the large stocks of wheat which it had purchased from the farmers at high fixed prices, and hence subject to heavy financial burden.

In an effort to regain complete monopoly control over sales for internal consumption, the Company once more changed its internal sales policy. After February 7, 1932, a mill wishing to buy a quantity of wheat had first to pay the full price of 225 to 250 dinars per quintal to the Privileged Export Company. The Company would then notify a nearby cooperative or merchant to deliver the desired quantity. Following delivery to the mill, the Company would pay the merchant or cooperative the legal purchase price of 160 to 170 dinars per quintal for the quantity delivered.

(c) Reversion to control of exportable surplus, 1932-33 - But the more stringent control over the wheat trade failed to materialize. Owing to the difficulty encountered in disposing of its supplies, the government agency had to postpone the acceptance of deliveries of the wheat offered to it at the high legal prices. Finally, on March 31, 1932, the government monopoly over the internal trade in creals was definitely abolished by a new law published on that date. But the new law still retained for the government the exclusive right to export and import wheat, rye, and wheat flour. The present policy thus resembles that of the crop year 1930-31, with the government agency lifting the surplus grain from the domestic market and dumping it abroad for whatever it will bring, the losses being sustained by the national treasury. However, the new legislation also provides a source of revenue in the form of a tax on commercial milling. Flour mills (with certain exceptions) must pay special taxes

according to capacity up to a maximum of 300 dinars per ton (14.5 cents a bushel). Another modification apparently of minor importance in the methods of sale by the Privileged Export Company is that the actual exportation of wheat is to be carried out by private merchants under the supervision of the Company instead of by the Company itself.

In addition to these more permanent features, the law of March, 1932 included provisions for closing the books, so to speak, on the transactions for the crop year 1931-32. Until July 1, 1932, the Privileged Export Company, acting for the government, took over all unsold wheat of the 1931 crop, paying a fixed price of 160 dinars per quintal (77 cents a bushel) therefor, at least 50 per cent of the payment being in cash and the remainder in the form of taxation bonds to be redeemed by the end of 1932 at the latest. Sales transactions concluded prior to March 31 but not in fact completed by actual delivery were cancelled, the Privileged Export Company being directed to pay only the fixed price of 160 dinars per quintal (77 cents a bushel).

(2) Tobacco monopoly - Both the growing of tobacco and the manufacture of tobacco products in Yugoslavia are supervised and controlled by a State Monopoly Committee. Production is controlled to a considerable extent by the allotment of acreage. The grower must obtain written permission to raise tobacco and may sow tobacco only on the piece of ground prescribed and in so many plants as he is allowed. If the grower plants fewer seedlings than he has been authorized to and is unable to justify his shortage, he is penalized and loses the right to grow tobacco during the ensuing year. Sowing must be completed by the 20th of June. The whole of the crop must be delivered to the Monopoly Committee, growers who fail to do so being liable to punishment under the tobacco smuggling law.

When receiving their allotments, the growers obligate themselves to range, dry, and bind in bunches the healthy selected tobacco leaves, and to grade them by quality and color, sorting out the green, mouldy, or damaged leaves to be bound separately. Payment is made according to a tobacco price list, ungraded tobacco being set at the lowest price. The Monopoly Committee exports leaf tobacco, besides manufacturing a good deal into products for home consumption. The tobacco monopoly is an important source of revenue for the State.

In February, 1932 the State Monopoly Committee issued regulations for the coming tobacco season. Plantings, prices, and terms of payment were included in the announcement. The number of tobacco seedlings to be set out during 1932 was fixed at a total of 1,735,600,000, to be divided among six tobacco-producing regions, as follows (in millions of plants): Vardar 1,235; Moravia, 157; Danube, 105; Drina 20; Sea Coast, 180; and Zeta, 38.6. Applications for planting had to be in by February 29. Six grades of tobacco were set up for price-fixing purposes, being designated as Extra, Category I, Category II, Category III, and Category IV. Each grade except the first, Extra, is numerously subdivided into classes. The price fixed for Extra tobacco is 140 dinars per kilogram ($1.12 a pound). Prices in other categories range from 85 dinars per kilogram (68¢ a pound)

for Class I tobacco of Category I downward to 3 dinars per kilogram (2.4¢ a pound) for the lowest class of Category IV. The same announcement also carried the statement that loans without interest would be advanced against the expected sales by growers; such loans constitute part payment in advance, inasmuch as their amount is automatically deducted from the amount paid to the grower when he sells the tobacco to the Monopoly.

(3) <u>Tariff and other restrictions of imports</u> - Since a great deal of Yugoslavia's agriculture is devoted to the production of commodities that must be exported to find a market, import restrictions can be of but little assistance to the farmer in the way of price maintenance. For example, the duties on wheat, apples, and sugar cited below are largely nominal because these products are on an export basis. As compared with the drastic control inherent in the government monopoly of wheat and rye, the duties on these grains are relatively unimportant as a means of restricting imports.

When in 1925 the commercial policy of Yugoslavia crystallized into definite form, the tariff emerged as definitely protective in height, with protection accorded particularly to the non-agricultural industries. The following examples of duties in effect as of January, 1932, afford some idea of the height of the tariff as applied to agricultural products, although the duties mostly are nominal. On wheat the duty charged amounted to 53 cents a bushel; on apples in crates, boxes, and barrels about 3 cents a pound, in bulk, 1.2 cents a pound (converted at par of exchange) plus a turnover tax of 2 per cent of the duty paid value; on rice, cleaned, 62 cents a 100 pounds, uncleaned, 26 cents a 100 pounds, plus a turnover tax of 3.3 per cent, and on partly cleaned and uncleaned rice when imported for further working 18 cents a 100 pounds; on sugar (refined) $1.81 a 100 pounds net weight when in barrels and $2.08 when in bags, plus a consumption tax of $5.52 a 100 pounds and a turnover tax of 5.5 per cent of the duty paid value. On flour of cereals other than rice a duty of 13 cents a 100 pounds was imposed (6.4 cents until June, 1932), but this duty was of much less importance than the monopoly control of the Privileged Export Company. Similarly, leaf tobacco nominally is free of import duty, but at the same time is subject to a monopoly tax of $562 a 100 pounds (net weight).

Late in 1931 the Minister of Finance was empowered to make any changes that he might wish to in tariff rates, subject to legislative approval. According to a law published and effective November 28, 1931, the Minister of Finance is authorized, in case the best interests of the country require such action, and in agreement with the President of the Council of Ministers, to increase, reduce, or abolish the import or export duties on whatever articles he may designate. However, the new schedules must be presented immediately to the Parliament for its approval if that body is in session. If it is not in session, such schedules must be presented to it within 15 days from the commencement of the next session.

Although primarily concerned with safeguarding the health of agricultural plant and animal life, sanitary restrictions on imports may also have an economic effect. For this reason brief mention is here made of a recent modification of the sanitary regulations governing the inspection

of imported fruits, plants, and fruit trees. A decree of December 24, 1931, provided that all pears and apples imported into Yugoslavia shall be inspected at the time of importation into Yugoslavia, even if accompanied by certificates of health.

(4) Preferential treaties - Yugoslavia, in common with the other Danubian countries, has been endeavoring to aid the marketing of her products in foreign countries (particularly cereals) through the medium of preferential trade agreements granting lower duties or special import quotas. She has participated in the conferences of 1930-31 representing the joint efforts of Danubian countries in this connection (see Bulgaria above for a summary of the Danubian conferences of 1930-31). Early in 1932 it was reported that the government grain marketing organizations of Yugoslavia had entered into an agreement with the corresponding organizations of Rumania and Bulgaria whereby each was to keep the others informed daily of its sales prices so that they might be able to maintain a common price level. Moreover, in furtherance of the preferential idea, Yugoslavia has in recent months negotiated individually with Czechoslovakia, Austria, and France for tariff and trade concessions.

On March 30, 1931, a commercial treaty was signed by Czechoslovakia and Yugoslavia, supplementary to one already in force since 1928. The supplement provided for reciprocal duty concessions. Those granted by Czechoslovakia to Yugoslavia were mostly in the form of reduced rates on agricultural products, including fresh and dried fruits, livestock, certain wines and brandy, and sausage casings.

In July, 1931, a new commercial treaty between Austria and Yugoslavia became provisionally effective. Although many duties were increased over those of the old treaty, new concessions also were included. Yugoslavia was to receive an exclusive preferential rate on wheat imported into Austria, subject to the approval of countries having most-favored-nation agreements with the latter. Under this preference, Yugoslav wheat entering Austria was to pay duty at a rate of 3.2 crowns per 100 kilos (17.5¢ per bu.) lower than the duty in force at any time, this reduction being limited to an annual quota of 50,000 tons (1,837,000 bus.). With the Austrian duty on wheat at 10 gold crowns per 100 kilos (54.7¢ a bu.) this meant a rate of 6.80 crowns per 100 kilos (37.2¢ a bu.) on Yugoslav wheat. Yugoslavia also obtained reduced duties, which were to apply to other nations as well, on annual quotas of 10,000 head of cattle, 21,000 hogs, 3,000 tons of pork, and 280 tons of beef. The treaty was to be ratified before the end of 1931 and was to remain in effect until the end of June, 1932.

Up to the time of this treaty, Austrian import duties on hogs had been identical for all countries. In the new treaty preference was granted in an indirect manner to imports of hogs from Yugoslavia by specifying special rates for hogs of the Mangalica breed, which are raised practically in Yugoslavia only, although to a minor extent in Hungary. Mangalica hogs were made duty-free, whereas the duty on hogs was 45 gold crowns per 100 kilos on ex-contingent hogs and 18 on contingent hogs ($4.10 and $1.64 per 100 lbs. respectively). Mangalica pork was made subject to a duty of 12 gold crowns per 100 kilos ($1.09 per 100 lbs.) within a quota of 1500 tons (3,307,000 lbs.) a year whereas the normal duty was 26 gold crowns on con-

tingent pork and 70 on ex-contingent pork ($2.70 and $6.38 per 100 lbs., respectively). However, certain Austrian import restrictions remained in force on Yugoslav hogs and Yugoslavia reserved the right to denounce the treaty at an earlier date if negotiations regarding them did not result in a satisfactory change.

On March 9, 1932, some minor changes were made in the treaty; on March 15, it was signed and again put into effect provisionally. The exclusive preference granted to Yugoslav wheat was retained as was also the proviso that Yugoslavia could denounce the treaty if negotiations regarding the importation into Austria of Yugoslav hogs and pork did not reach a satisfactory conclusion, this time within two months. The regular duty on wheat was now set at 11 gold crowns per 100 kilos (60.2¢ a bu.); the rate assessed on Yugoslav wheat amounted to 7.8 gold crowns (42.7¢ a bu.). The treaty was to remain in force until June 30, 1932, as originally agreed.

On November 7, 1931, Yugoslavia and France signed an agreement according to each other preferential treatment of important products. The agreement, which was concluded for a period of three years, came into force on the date of its publication in the Yugoslav Official Journal on May 7, 1932. From the standpoint of Yugoslavia the chief advantage gained was what amounts to a reduction of the French minimum duty on wheat up to 30 per cent of that duty to be applied to a quantity up to 10 per cent of the total French imports for any given crop year. This concession is the same as that granted on May 22 by France to Rumania. (Concerning further details, see <u>Rumania</u>).

5. <u>Other price bolstering measures</u> - Among the less important measures that the Yugoslav Government has taken in aid of agricultural prices may be listed the establishment of machinery for controlling the exportation of livestock and livestock products and machinery for the stabilization of agricultural prices in general, and the reduction of freight charges on cereals moving to export points.

(a) <u>Machinery for controlling the exportation of livestock and livestock products</u> - On December 22, 1931, a law governing the organization and control of the exports of livestock, meat products, and animal products to countries that restrict imports from Yugoslavia to definite quotas became effective. It authorized the Minister of Commerce and Industry to issue control measures for the export of cattle, horses, hogs, sheep, goats, poultry, eggs, milk, and their products. Export quotas and the distribution of exportation within the quotas are covered in these measures. A special Board, representative of the interested Ministries, economic organizations, associations, and companies, is appointed by the Minister of Commerce and Industry. Parties desirous of exporting livestock, etc., within the quotas set up must register with the Ministry of Commerce.

(b) <u>Machinery for stabilization of agricultural prices</u> - On May 12, 1930, the Privileged Export Company, referred to above in connection with grain, was formed with a capital of about a quarter of a million dollars. Ninety per cent of the capital was subscribed by the Government through the Ministry of Commerce and Industry, and five per cent each by the exporters

and the agricultural associations. The main function of the Company was to be that of selling agent for the small concerns dealing in agricultural products and at a disadvantage when operating in world markets. However, it was also empowered to purchase directly from the producer "in extraordinary cases and when directed by national economic interests" in order to maintain domestic prices. The application of this provision to wheat and rye has already been discussed. It only remains to point out that further stabilization purchases of other commodities are also possible under the existing Yugoslav statutes.

(c) Advantageous railroad and waterway transportation charges - In connection with wheat, rye, corn, and barley coming from surplus producing districts, exports through ports are allowed a reduction of about half a cent a bushel. Exports across frontiers or through ports are allowed a 10 per cent reduction if they originate from stations located 221 kilometers from the boundary. Reductions are graduated up to 45 per cent at a distance of 500 kilometers. Rates on wheat bran and dried meat also are subject to reductions. The tariffs of the Government River Transport were diminished by 25 per cent.

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